CONSIDERATION OF THE ROLE OF THE PRIVATE SECTOR IN THE IMPLEMENTATION OF THE UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION

EXECUTIVE SUMMARY

Private sector involvement in the implementation of the United Nations Convention to Combat Desertification (UNCCD) provides opportunities for strengthening the provision of financial and technological resources and capacity building for sustainable development in the drylands. The Parties may consider approaches and mechanisms that facilitate the involvement of the private sector in the implementation of the Convention while taking into account the specific environmental and socio-economic characteristics of the drylands and the objectives of the Convention, such as public-private partnerships and sponsorships. International institutions can serve as co-funders and brokers for private sector participation in projects to implement the UNCCD, and the synergistic implementation of the three Rio conventions may provide further opportunities in this regard.
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INTRODUCTION

1. The UNCCD seeks to facilitate the creation of such basic environmental, social and economic conditions that are necessary for self-sustained livelihoods in drylands. While this objective entails strong public sector support for the implementation of the Convention, it also requires the participation of the private sector, among other relevant actors, in the implementation process.

2. Several articles of the UNCCD mention the private sector. In article 6, developed country Parties are requested to “encourage the mobilization of funding from the private sector”. By article 17 on research and development, the Parties undertake to support research activities that “promote the conduct of joint research programmes between national, subregional, regional and international research organizations, in both public and private sectors, for the development of improved, affordable and accessible technologies through effective participation of local populations and communities”. By article 20 on financial resources, the Parties are requested to “seek to involve private sector funding sources and mechanisms”. Article 21 states that the Conference of the Parties (COP) shall “consider for adoption inter alia approaches and policies that … promote multiple-source funding approaches, mechanisms and arrangements and their assessment, consistent with article 20”. According to the same article, “affected developing countries shall … utilize participatory processes involving non-governmental organizations, local groups and the private sector, in raising funds, in elaborating as well as implementing programmes and in assuring access to funding by groups at the local level”.

3. In article 8 of the UNCCD regional implementation annex I for Africa, the African national action programmes (NAPs) are requested to include measures, as appropriate, to improve the economic environment with a view to eradicating poverty, such as improving the long-term prospects of rural economies by the creation of incentives for productive investment and access to the means of production, and price and tax policies and commercial practices.

4. In article 7 of annex II for Asia, article 6 of annex III for Latin America and the Caribbean, and article 7 of annex V for Central and Eastern Europe, the affected country Parties of each region are requested, individually or jointly, to adopt measures to rationalize and strengthen mechanisms to supply funds through public and private investment with a view to achieving concrete results in action to combat land degradation and desertification and mitigate the effects of drought.

5. At its sixth session in August-September 2003, the COP, by decision 1/COP.6, considered the promotion of private sector and economic opportunities in arid, semi-arid and dry sub-humid regions and countries. It encouraged the Parties to link private sector initiatives to the identification of equal and fair economic opportunities for drylands goods and services; recommended Parties and the private sector to take measures to increase the competitiveness of products and services in the drylands through the development of appropriate technologies for sustainable development in areas such as cash crop and livestock production, aquaculture, recreation, ecotourism and adherence by the mining/extraction industry to codes of sustainable land use practice, and invited Parties to adopt and enhance policy measures and incentive schemes to encourage private sector support for technological and scientific cooperation benefiting the drylands, in order to encourage the dissemination of incentive systems and best
practices which help mobilize private sector investment and promote public/private joint ventures, including within the NAPs.

6. Although the UNCCD thus encourages the involvement of the private sector in achieving its objectives, the link between the implementation of the Convention and business opportunities in developing countries is not easy to establish. The drylands covered by the UNCCD tend to be characterized by limited physical and socio-economic infrastructures that do not attract private investors. Risks associated with dryland production, deriving from the fragile ecosystems and climate variability, combined with fluctuating commodity prices, also hinder the involvement of profit-seeking private companies. Furthermore, the intergovernmental Convention process, and often to some extent also the national, subregional and regional implementation frameworks, are not structured to promote private sector participation.

7. Efforts to solve and mitigate the challenges mentioned above may result in promising economic opportunities that serve the sustainable development of countries affected by desertification, with particular emphasis on reducing poverty in rural drylands. Strengthening private sector resource flows to the implementation of the UNCCD in these countries can support them in meeting the challenges of, and benefiting from, globalization.

8. The purpose of this information document is to consider the relationship between the private sector and the UNCCD from the viewpoint of enhancing private sector support to the implementation of the Convention. It assumes that the involvement of the private sector would be beneficial for the implementation of the Convention, and that both the UNCCD stakeholders and the private sector have a willingness to promote cooperation in this context. The document seeks to identify factors that relate to the involvement of the private sector in the implementation of the UNCCD in accordance with the specific objectives of the Convention, the characteristics of drylands and their livelihoods, and the interests of the private sector. The primary objective of this document is to trigger ideas and discussion among the Parties and other stakeholders on involvement of the private sector in the implementation of the UNCCD.

9. This document draws from a recent multi-stakeholder workshop concerning the role of the private sector in the implementation of the Rio conventions which was organized by the Organisation of Economic Co-operation and Development (OECD) in June 2005. The content of this document is based largely on a joint UNCCD secretariat/Global Mechanism background paper that was prepared for the said workshop.

10. Section I of the document considers the rationale of private sector involvement in the implementation of the Convention. Section II presents some challenges identified in this context, and section III considers potential entry points, mechanisms and actions to be taken in order to strengthen the involvement of the private sector. Section IV presents conclusions and possible next steps to be taken on the basis of the information presented in this document.

11. Information on the involvement of the private sector in the implementation of the UNCCD is contained also in the background paper 1 for the Special segment of the seventh session of the COP titled “Economic opportunities in the drylands under the United Nations Convention to Combat Desertification”. This document is available on the web site of the Convention (http://www.unccd.int).
I. THE RATIONALE FOR PRIVATE SECTOR ENGAGEMENT IN UNCCD IMPLEMENTATION

12. The international community has recognized the severity of poverty in rural areas and the linkage between poverty reduction and implementation of the UNCCD. Strengthening the involvement of the private sector in the implementation of the Convention can contribute to meeting the internationally agreed targets on poverty reduction, with regard to enhancing agricultural productivity as the principal means of income creation, and providing new economic opportunities in the drylands.

13. Drylands can support numerous economically competitive activities that simultaneously succeed in preventing desertification and reclaiming degraded land, such as the production of cash crops, commodities of increasing demand such as various gums, oils and resins, and products for the pharmaceutical sector, and tourism. Major opportunities have also emerged for renewable energy sources, including bio-fuels and solar and wind energy. Economic activities in drylands may benefit from high levels of competitiveness, deriving from low labour and operational costs.

14. Private sector involvement in projects to implement the UNCCD can facilitate the provision of supporting measures called for in the Convention, including those relating to financial inputs, development and transfer of technologies and know-how, and can provide direct investment that simultaneously serves to combat desertification and to generate income. Ideally, private sector involvement in dryland projects results in the application of innovative land use and production systems that protect the fragile natural environment while creating new jobs, upgrading national human capital, generating export revenues and triggering new investment.

15. From a corporate point of view, private sector companies’ involvement in projects that support the implementation of the UNCCD can enhance their public relations and image vis-à-vis the general public, in addition to providing the expected profits. Furthermore, encouraging growth and sustainable economies in developing countries provides possibilities for expanding markets. Combating desertification can also be good business in itself. It creates opportunities for suppliers and developers of environmentally sound tools, technologies and practices as well as for companies that invest in environmentally, socially and economically sustainable development by strengthening those companies’ competitive advantage. Globalization of the world economy and market saturation for certain categories of products in developed countries and economies in transition provide further prospects for the private sector in drylands.

II. CHALLENGES IN THE INVOLVEMENT OF THE PRIVATE SECTOR

16. The UNCCD and the decisions of the COP represent the international consensus framework on the goals, means and measures to combat desertification. Any interventions in this context, including those of the private sector, are expected to respect the agreed framework, with due note of the vulnerable ecosystems and the socio-economic attributes of drylands areas.

17. Attracting private investment that contributes to the implementation of the Convention requires allowing the private sector to pursue its goals. The business sector seeks investment
opportunities with a predictable risk in terms of cost and viability and a high potential for sales and replication, while maximizing returns on investment.

18. Consequently, private companies are not likely to support the implementation of the UNCCD if this does not support the pursuit of their economic objectives. Likewise, the involvement of the private sector in projects to implement the UNCCD should not challenge the objectives of the Convention, nor should it be based on expectations that cannot be met such as receiving an undue UNCCD endorsement (‘greenwashing’) for the company involved.

19. On the basis of some success stories involving the private sector in the combat against desertification, it is apparent that win-win situations can be identified, in which profitable investment benefits UNCCD implementation. Among the pressing challenges in further advancing such win-win situations are the need for awareness raising and the provision of information to both the private sector and the UNCCD stakeholders on economic opportunities in the context of UNCCD implementation, as well as the creation and/or strengthening of mechanisms and approaches that could facilitate the involvement of the private sector in activities to implement the Convention.

20. Private sector involvement in the implementation of the UNCCD depends also on a number of factors that are not dealt with in, although they are linked to, the immediate Convention process. International, regional and national policy and regulatory frameworks relating to production and trade, such as controls on price and transport, quotas, subsidies and taxes, influence the flow of private investment to dryland countries. Consideration of possible reactions and responses to these factors in the context of the UNCCD process and its action programmes is yet to evolve.

III. POTENTIAL ENTRY POINTS FOR THE INVOLVEMENT OF THE PRIVATE SECTOR

21. In order to facilitate consideration of the role of the private sector in the implementation of the UNCCD, a distinction can be made between the private sector of the ‘North’ (i.e. headquarters established in an OECD country, as in the case of multinational companies) and the private sector of the ‘South’ (i.e. headquarters established in a developing country or in an economy in transition). For the same purpose, the varying scope of private business could be noted in reference to micro and small enterprises, particularly in the South. Depending on their interests and capacities, private companies can engage in the implementation of the UNCCD through their core business functions, by carrying out corporate social and environmental responsibility schemes, through the implementation of policy frameworks and directives such as emission trading programmes, and by targeted sponsorships.

22. As indicated above, while the private sector can significantly contribute to the implementation of the UNCCD, its involvement may be hindered by lack of incentives and/or risks associated with the specific characteristics of the drylands.

23. A viable alternative for direct private sector investment in drylands is the establishment of public-private partnerships, whereby foreign or domestic private capital is leveraged for
projects that have long-term business and development potential but cannot get sufficient financing or technical expertise through market channels. Public sector support – national budget allocations or contributions from development partners – can be directed to the creation of the necessary infrastructure, capacity building, risk management and insurances, among other requirements. Such public sector involvement will also serve in ensuring that the socio-economic and environmental objectives of the participating developing country are duly taken into account in business actions.

24. Public-private partnership building can be facilitated through the involvement of institutional and multilateral partners that provide co-funding for projects and support the delivery of information on projects to potential partners.

25. The Global Environment Facility (GEF) is designated as a financial mechanism of the UNCCD. It emphasizes the importance of involving the private sector in projects under its operational programmes, and several private sector companies, ranging from large corporations to small-scale local entrepreneurs, are currently participating in GEF projects. Their roles vary from the co-financing and provision of technology to strategic and technical advisory services, and also such provision to recipients of GEF funding. Thus, one potential channel for strengthening the involvement of the private sector in the implementation of the UNCCD could be through corresponding GEF initiatives under its focal area on land degradation (desertification and deforestation).

26. The Global Mechanism of the UNCCD can act as a broker and foster partnerships between public and private entities in the countries of the south and north. In line with its mandates to mobilize financial resources to support UNCCD implementation, broaden the funding base for implementation and also identify sources of co-financing for GEF projects, among others, it has a central role in promoting private investment for activities to implement the Convention.

27. Partnership building with the involvement of the private sector is also an important component of projects of several other organizations working on the implementation of the UNCCD, including the International Fund for Agricultural Development, the United Nations Development Programme, the United Nations Environment Programme and the World Bank. Furthermore, specific funds and cooperation entities such as the United Nations Fund for International Partnerships and the Conservation Finance Alliance can provide assistance in building partnerships with the private sector.

28. Another potential form of private sector participation in activities to implement the UNCCD is sponsorships. These activities may include financial contributions such as grants to projects and support to research, product donations and the provision of expertise, scholarships and technical advisory services. The establishment of a UNCCD fellowship programme, which is being proposed to the Committee on Science and Technology on the occasion of the seventh session of the COP, could be one channel for private sector involvement in this context.

29. The identification of activities which support the synergistic implementation of the three Rio conventions can be beneficial for attracting private sector investment for the implementation of the UNCCD. Of particular interest in this regard are the numerous carbon finance initiatives
and funds established in the context of the Clean Development Mechanism (CDM) under the United Nations Framework Convention on Climate Change. The CDM allows industrialized countries to meet their national emission reduction targets through support to projects in developing countries. These projects aim at creating credible and measurable reductions of greenhouse gas emissions or their sequestration, and may include activities such as revegetating drylands, providing alternative sources of energy and making drought-prone areas more resilient to climate change. Several private sector companies, in cooperation with developed country Governments and multilateral development finance institutions, are already investing in carbon funds, and the funding available for dryland projects through this channel may become a considerable supplement to other sources of assistance.

IV. CONCLUSIONS AND POSSIBLE NEXT STEPS

30. Private sector involvement in the implementation of the UNCCD provides promising opportunities for strengthening the provision of financial and technological resources and capacity building for poverty reduction and the sustainable development of drylands. Identification of approaches and mechanisms that take into account the specific environmental and socio-economic characteristics of the drylands and the objectives of the Convention could facilitate the involvement of the private sector in implementation of the UNCCD.

31. The strategic framework for the implementation of the UNCCD, including the general objectives and modus operandi of the Convention process as well as those of the national, subregional and regional action programmes, may be difficult to translate into concrete action by the private sector. The Parties to the UNCCD, through the COP and its subsidiary bodies and also individually, can contribute to bridging the gap between the goals and approaches of the UNCCD and those of the private sector by, for example, involving the private sector more efficiently in the intergovernmental Convention process and the development of implementation policies.

32. Within the context of NAPs, affected country Parties should expand environmental information systems in a business-friendly manner, identifying measures to raise awareness and provide information on economic opportunities in implementing the Convention. At the same time, at the level of the macro policies advocated notably in the NAP context, they should put in place adequate legislation, incentives and policies to attract the private sector.

33. International institutions can serve as co-funders and brokers for private sector participation in projects to implement the UNCCD. They can facilitate public-private partnerships and ensure that projects contribute specifically to the objectives of the Convention. Parties to the UNCCD can support these institutions through their roles in the respective decision-making bodies.

34. The potential exists to strengthen private sector involvement through synergistic implementation, and related opportunities could be further explored. Lessons learned from experience with private sector involvement under other Rio conventions could be useful for the UNCCD process.