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Future implementation of the Convention
Financing the implementation of the Convention: opportunities for increased financing and options for tracking

Report on opportunities for increased financing for the implementation of the Convention and options to track finance in the context of future UNCCD reporting

Report by the Global Mechanism

Summary

Despite the implementation efforts by the Parties to the UNCCD, desertification and land degradation continue to occur at alarming rates on a global scale. A paradigm shift is needed that will require increased resource mobilization. This document outlines opportunities for increased financing for the implementation of the Convention and options to track finance in the context of future UNCCD reporting.

The financing landscape for sustainable development is profoundly and rapidly changing, and the Addis Ababa Action Agenda on Financing for Development provides the direction on the scaling up of financing. In this context, it is important to tap into a wider range of sources to finance the implementation of the Convention, and land degradation neutrality (LDN) constitutes a vehicle to substantially tap into increased financing. As LDN action provides significant climate adaptation and mitigation benefits, climate finance is an important and rapidly growing source of finance, as is private sector and foundation finance.

The approach to future tracking and reporting on the financing for the implementation of the Convention should fully reflect and be an integral part of the UNCCD 2018–2030 Strategy. A systematic analysis of global datasets combined with tailored, in-depth analyses of selected countries on resource mobilization, public expenditures, and the economic and social benefits of actions to implement the Convention is recommended.

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I. Introduction and background

1. *A paradigm shift is needed*. Despite the implementation efforts of Parties to the UNCCD and renewed implementation commitments guided by the 10-year strategic plan and framework to enhance the implementation of the Convention (2008–2018) (The Strategy), desertification and land degradation continue to occur at alarming rates on a global scale. Due to drought and desertification, each year 12 million hectares of arable land are lost and 1.5 billion people are affected globally, 74 per cent of which are poor.[1] The extent and severity of land degradation worldwide in addition to the exacerbating effects climate change, population growth, and an ever increasing demand for natural resources requires UNCCD action beyond business as usual – it requires a paradigm shift.

2. *The land degradation neutrality concept and Sustainable Development Goal target 15.3 provide a new opportunity*. The twelfth session of the Conference of the Parties to the UNCCD (COP 12) placed land degradation neutrality (LDN) at the forefront of the sustainable development action by endorsing it as a strong vehicle to drive future UNCCD implementation and endorsing the definition of LDN as "a state whereby the amount and quality of land resources necessary to support ecosystem functions and services and enhance food security remain stable or increase within specified temporal and spatial scales and ecosystems".[2] The LDN concept is fully captured by the Sustainable Development Goals (SDG) and their target 15.3, which aims to achieve a land degradation-neutral world by 2030. To align with this goal, the UNCCD invited all country Parties to formulate voluntary targets to achieve LDN and requested UNCCD bodies to provide "guidance for formulating national LDN targets and initiatives".[3]

3. *The future strategic approach for the Convention (2018–2030 Strategy) is intended to enhance implementation of the Convention and guide action on how to make the paradigm shift towards achieving a land degradation-neutral world*. This future UNCCD strategy, currently being drafted by the Intergovernmental Working Group (IWG), is expected to provide the framework for action to address desertification and land degradation at scale.

4. *The 2018–2030 Strategy will require increased resource mobilization and more purposeful tracking and reporting of financing*. In order to combat desertification, avoid land degradation and rehabilitate 12 million hectares of degraded land a year, a vast amount of financial resources will have to be mobilized. This report aims to outline opportunities for increased financing for the implementation of the Convention and options to track finance in the context of future reporting under the UNCCD 2018–2030 Strategy.

II. Opportunities for increased financing for the implementation of the Convention

5. *The financing landscape for sustainable development is profoundly and rapidly changing*. The composition of development assistance has changed substantially since Parties adopted the UNCCD 2008–2018 Strategy. According to the Organisation for Economic Co-operation and Development (OECD), Country Programmable Aid, that is, the proportion of Official Development Assistance (ODA) over which recipient countries have

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1 <www.un.org/en/events/desertificationday/background.shtml>.
2 Decision 3/COP.12.
3 Decision 3/COP.12.

a significant say, has remained fairly constant since 2008 (around USD 55 billion in 2008 compared to around USD 57 billion in 2014). During the same period, other official flows (e.g. grants to soften private sector loans to developing countries) increased exponentially, from USD 370 million to USD 4.6 billion, that is, a more than twelve-fold increase. Likewise, private flows increased during the same time by more than three-fold, from around USD 128 billion in 2008 to more than USD 400 billion in 2014. Furthermore, grants provided by non-governmental organizations (NGOs) increased significantly, from around USD 25 billion in 2008 to USD 32 billion. Annex I, developed by the International Institute for Sustainable Development (IISD) on behalf of the Global Mechanism (GM), provides a detailed analysis of the changing financing landscape and emerging financing opportunities for the implementation of the Convention going forward.

6. *The Addis Ababa Action Agenda on Financing for Development provides the direction on the scaling up of financing for sustainable development.* Global leaders and leading development institutions acknowledged that achieving the SDGs will require a shift "from billions to trillions".[4] The Addis Ababa Action Agenda emphasizes the importance of domestic resources, private sector investments, and philanthropic resources for sustainable development. It further stresses that effective financing requires that countries have coherent development policies consistent with the principles and targets agreed under the 2030 Sustainable Development Agenda.

7. *It is important to tap into a wider range of sources to finance the implementation of the Convention*. According to the development finance data included in AidData[5], projects targeting "land degradation" (USD 886.5 million) received almost double the funding of projects targeting "desertification" (USD 450.5 million) in the 2010–2013 period. Projects targeting "biodiversity" received more than 20 times (USD 9.4 billion) more financing than "desertification" projects, and projects labelled as "climate change" more than 40 times more (USD 18.9 billion).

8. *LDN constitutes a vehicle to substantially tapping into increased financing for the implementation of the Convention.* Taking into consideration that action to achieve a land degradation-neutral world as set out in SDG 15.3 requires cross-sector action and simultaneously creates multiple benefits, including climate benefits, LDN has the potential to become a vehicle to catalyse substantial amounts of sustainable development financing for the implementation of the Convention.

9. *ODA is important but not sufficient, and its allocations going forward are expected to be increasingly aligned with the SDGs.* LDN, as one of the SDG targets as well as an "accelerator" to achieving other SDGs, is expected to become an attractive vehicle to mobilize additional ODA resources in an overall relatively flat ODA environment.

10. *The Paris Agreement is shaping the finance landscape for sustainable development, and LDN action provides significant benefits for climate change adaptation and mitigation*. Many climate action commitments and mechanisms such as the National Determined Contributions, National Adaptation Plans, National Appropriate Mitigation Actions, and Reduced Emissions from Deforestation and Degradation (REDD) already include land-

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4 The World Bank. (2015). *Joint Statement from MDBs and IMF Head on Financing for Development* [Press release]. Retrieved from <www.worldbank.org/en/news/press-release/2015/04/16/joint-statement-mdbs-imf-head-financing-for-development>.

5 AidData (aiddata.org) collects, curates, and publishes data on more than USD 5.5 trillion dollars in development finance from 90 bilateral and multilateral agencies at the project level. Most of the data comes from the Organisation for Economic Co-operation and Development datasets, but data from non-Organisation for Economic Co-operation and Development–Development Assistance Committee countries and organizations is also included.

based climate action activities. Using LDN as a vehicle to scale up land-based climate action will create additional funding opportunities for UNCCD implementation, including from the Green Climate Fund, which aims to provide 50 per cent of its financing to adaptation – a target not yet achieved. Funding opportunities for UNCCD implementation are also increasingly coming from the Multilateral Development Banks (MDBs) that committed at COP 21 to substantially increasing climate financing. For instance, as announced in the MDBs' Joint Statement,[6] the African Development Bank committed to tripling its amount of climate finance by 2020, and the European Investment Bank aims to spend 35 per cent of its total financing outside the European Union on climate action by 2020.

11. *Public resources alone will not be sufficient to implement the Convention and achieve a land degradation-neutral world by 2030*. The private sector is playing an increasingly important role in financing sustainable development, including LDN. According to a recent study undertaken by the GM in collaboration with the sustainable investment firm Mirova, over the past decade 31 private funds and project promoters invested around USD 7 billion in projects contributing to LDN, and these funds and project promoters expect to double their financing by 2021.[7] The LDN Fund, a public-private financing vehicle that is currently being established in collaboration between the GM, Mirova, and the European Investment Bank, is expected to mobilize substantial amounts of public and private capital to (co-)invest in bankable projects that contribute to bringing the world to a state of LDN by 2030.

12. *Foundations are an important funding source for sustainable development*. During the period 2010–2013, 5 per cent of total foundation support, almost USD 1.2 billion in total, could be categorized as supporting the implementation of SDG 15.[8] Furthermore, foundation funding exceeded government funding for biodiversity projects in 2010–2013. A small example of relevance for the UNCCD is the Rockefeller Foundation, which is supporting the GM in establishing the LDN Fund. It is the first funding that the GM has been able to mobilize from a foundation to support the work of Parties to the UNCCD.

13. *Innovative forms of development finance are emerging, are at different stages in the development phase, and warrant further exploration as a potential source of UNCCD financing.* Four broad categories of innovative financing are: (i) taxes, dues or other obligatory charges on globalized activities to generate new public revenue streams; (ii) solidarity contributions, including initiatives through which a portion of the purchase price for a consumer good is directed toward financing sustainable development projects; (iii) frontloading and debt-based instruments that make public funds available earlier for development projects by issuing bonds on international capital markets (green bonds); and (iv) state guarantees, public-private incentives, insurance and other market-based

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6 Multilateral Development Banks. (2015). Joint Statement by the Multilateral Development Banks at COP 21 in Paris: Delivering Climate Change Action at Scale: Our Commitment to Implementation. Retrieved from: <www.worldbank.org/content/dam/Worldbank/document/Climate/Joint%20MDB%20Statement%20Climate_NOV%2028_final.pdf>.

7 Sarah Maillard and Renee Cheung (2016). *Unlocking the market for Land Degradation Neutrality.* Retrieved from The Global Mechanism Website: <www.global-mechanism.org/sites/default/files/market_study_final.pdf>.

8 Sustainable Development Goals Funders: Sustainable Development Goals Philanthropy Platform (<http://sdgfunders.org/sdgs/>).

mechanisms that leverage public funds to create investment incentives for the private sector.[9]

14. *While substantially increased financial resources are crucial for the implementation of the Convention, they are not sufficient*. Money follows opportunities, particularly projects that create impact at scale and triple bottom line benefits, that is, economic, social and environmental benefits. Therefore, the design of transformative large-scale projects and programmes combined with a coherent policy and enabling environment for investments is paramount. The voluntary LDN target setting process provides an opportunity and a platform to use LDN as a vehicle for leveraging and identifying corresponding transformative projects to achieve national LDN targets and implement the Convention.

III. Tracking the financing for the implementation of the Convention: status and lessons learned

15. *Resource mobilization has been set as a strategic objective of The Strategy*. Taking into consideration the shortfalls in UNCCD implementation, in 2007, the Parties to the UNCCD adopted the 10-year strategic plan and framework to enhance the implementation of the Convention (decision 3/COP.8). The Strategy identifies strategic objectives to guide the actions of all UNCCD stakeholders and partners in the period 2008–2018. Strategic objective 4 (SO4) states that these actors will strive to mobilize resources to support the implementation of the Convention through the building of effective partnerships between national and international actors.

16. *Several COP decisions specified how reporting on resource mobilization (SO4) is to take place.* Decision 13/COP.9 mandated the GM to provide an analysis of financial flows on the basis of information collected through the reporting exercises and to submit this analysis to the secretariat for inclusion in its report to the Committee for the Review of the Implementation of the Convention. Decision 14/COP.11 requested the GM to reduce the number of indicators for SO4 and operational objective 5 and to explore the possibility of capturing financial flows and investments made by innovative funding sources, such as foundations, businesses, the financial industry and civil society organizations. Decision 16/COP.11 requested the GM to seek synergies with the OECD’s reporting framework and explore the possibility of using existing data systems. Decision 15/COP.12 adopted a new SO4 indicator and requested the GM to develop a methodology for data analysis and a template for data collection.

17. *Despite the reporting efforts made by the Parties, to date, no comprehensive baseline for financing the implementation of the Convention is available.* The only SO4 reporting took place in 2012 (for the 2010–2011 biennium), did not cover two of the seven indicators (Percentage change of contributions from innovative sources of finance; Percentage change of private sector and other contributions), and had a low reporting rate (42% of affected country Parties and 20% of developed country Parties).

18. *The approach to future tracking and reporting on financing for the implementation of the Convention must fully reflect and form an integral part of the 2018–2030 Strategy*. COP 12 adopted the decision to establish an IWG on the future strategic framework of the

[9] Hurley Gail, 2012, UNDP *Discussion Paper: Innovative Financing for Development: A New Model for Development Finance?,* Retrieved from: <www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/InnovativeFinancing_Web%20ver.pdf>.

Convention.[10] Initial findings and recommendations stated in the present report have been shared with IWG members at their meetings in April and July 2016.

19. *The future finance tracking and reporting approach should consider the lessons learned from previous attempts*. Tracking and reporting of financial flows for the implementation of the Convention has encountered three main challenges: (i) the lack of a common definition of what constitutes financing for the implementation of the Convention; (ii) high reporting costs including opportunity costs for Parties; and (iii) a low reporting compliance rate for Parties in the one SO4 reporting exercise that took place in 2012.

IV. Objectives and principles for tracking and reporting finance in the UNCCD 2018–2030 Strategy

20. *Tracking and reporting on financing for the implementation of the Convention must be guided by a clear purpose*. Going forward, the tracking and reporting approach in the context of the UNCCD 2018–2030 Strategy would be expected to provide answers to the following questions: (i) What is the estimated amount of total resources spent on the implementation of the Convention? (ii) What are the main sources of financing and what are the resource mobilization trends, that is, what are emerging financing opportunities? (iii) How are these resources spent, that is, what are the spending patterns? (iv) Why should more resources be spent on the implementation of the Convention, that is, what are the environmental, social and economic benefits of spending? (v) What are specific country lessons learned and how can other Parties benefit from these lessons?

21. *Three guiding principles are suggested for tracking and reporting on financing as part of the 2018–2030 Strategy*. It is suggested that tracking and reporting on financing for the implementation of the Convention be guided by the following principles: (i) data availability – whatever is going to be tracked and reported must be measurable, that is, data availability is crucial; (ii) comparability and reliability – comparable and reliable cross-country data is essential to inform the national and international debates and guide country policy and investment decisions; and (iii) simplification – tracking and reporting should be simple and clear, and the reporting burden of Parties should be reduced.

V. Options for tracking and reporting finance in the UNCCD 2018–2030 Strategy

A. Option 1: Implementing decision 15/COP.12 with regard to tracking financial flows

Description

22. *COP 12 adopted a new Strategic Objective 4 (SO4) progress indicator on financial flows*. SO4 aims to “Mobilize resources to support implementation of the Convention through building effective partnerships between national and international actors”.[11] To measure effectiveness in achieving this objective, a progress indicator reporting on “Trends in public sector finance and enabling investments to implement the Convention” was established along with three metrics, namely: (i) trends in international bilateral and multilateral – ODA, (ii) trends in domestic public resources; and (iii) trends in the number

[10] Decision 7/COP.12.
[11] Decision 3/COP.8.

of co-financing partners. First reporting with the new indicator would take place in 2018 if SO4 remains unchanged in the 2018–2030 Strategy and if the indicator is not further adjusted in line with the Strategy going forward.

Advantages

23. *Decision 15/COP.12 simplifies reporting*. The financial indicator approved by Decision 15/COP.12 merges and combines the two expected SO4 impacts of the 2008–2018 Strategy (increased financial, technical and technological resources and enabling policy environments) into a single indicator (trends in public sector finance and enabling investments to implement the Convention). The rationale for this is that public finances can establish the enabling conditions for private sector investment in UNCCD implementation. In addition, metrics for the financial indicator were reduced from seven to three.

Limitations

24. *Tracking is focused exclusively on public resources in an environment where opportunities from the private sector, foundations, and climate finance are becoming increasingly important.* Implementing this approach would mean excluding a rapidly growing source of financing for the implementation of the Convention, leading to substantial underreporting and exclusion of lessons learned in mobilizing finance from increasingly innovative sources. Finally, the "number of co-financing partners" metric only represents a 'proxy' indicator of resource mobilization.

25. *It is difficult to get reliable and comparable cross-country data for the "Trends in domestic public resources"*. The data source for this metric would be national reporting. Considering the aforementioned challenge relative to the lack of a harmonized definition of what constitutes financing for the implementation of the Convention, the cross-country comparability of data appears to be limited. For this to happen, one would first need to explicitly define what activities constitute financing for the implementation of the Convention, develop a public expenditure methodology that captures all these investments, apply, test and advance this methodology with a few champion countries, and then mainstream this methodology to ensure that all countries report comparable expenditures.

26. *This approach does not take into consideration deliberations and potential changes to be included in the UNCCD 2018–2030 Strategy*.

B. Option 2: Analysis of global datasets

Description

27. *There are several emerging initiatives aiming to track financial flows related to sustainable development, including climate finance*. Each of these initiatives could contribute to tracking financing for the implementation of the Convention, either directly or indirectly. Several of them are expected to track SDGs financial flows, including SDG 15.3. Others will include efforts to better track development and climate finance. On behalf of the GM, the International Institute for Sustainable Development has undertaken an assessment of existing and emerging datasets and initiatives that could provide the basis for future analysis of financing for the implementation of the Convention. Annex II provides a structured and brief summary of these initiatives.

28. *Three emerging initiatives to track sustainable development finance are of particular relevance to the UNCCD*: (i) Total Official Support for Sustainable Development (TOSSD), proposed by the OECD as a new and comprehensive measurement framework intended to take into account a broad spectrum of sustainable development

financial flows. This would include flows from South-South cooperation, the leveraging/catalytic effect of ODA, blended finance packages, and risk mitigation instruments in development cooperation; (ii) the Inter-Agency Task Force on Financing for Development (IATF), designated by the Addis Ababa Action Agenda as the official inter-agency body reporting to the United Nations on SDG implementation in order to contribute to the global assessment of progress on the 2030 Agenda for Sustainable Development. The inaugural report indicates that the IATF could monitor SDG 15.3 financing; (iii) the International Aid Transparency Initiative (IATI), another data-gathering process identified in the Addis Ababa Action Agenda. This initiative seeks to improve the transparency of aid in order to increase its effectiveness. The IATI is a voluntary, multi-stakeholder initiative that so far relies on almost 500 entities (governments, MDBs, NGOs, private sector organizations and foundations) to submit data on their financial flows.

29. *Two additional initiatives related to climate finance tracking and reporting have direct links to Convention implementation and the potential future reporting strategy of the UNCCD*: (i) the reporting architecture of the United Nations Framework Convention on Climate Change (UNFCCC) includes national communications and biennial reports, however comparability is hampered due to the lack of a common definition of climate finance, inter alia, and to date there is no commonly agreed estimate of the scale of transfers from developed to developing countries. To address this gap and respond to the Paris Agreement, Parties to the UNFCCC are at the preliminary stages of discussion, and the definitions established through this process could have implications for the tracking of expenditure by the UNCCD. There appears to be an important window of opportunity to create synergies for reporting on climate and land degradation/desertification finance; (ii) the joint report by MDBs on climate finance. Financing from the MDBs constitutes the largest share of climate finance mobilized thus far. While not officially part of the UNFCCC reporting process, the Joint Report by MDBs on climate finance provides another major source of data on multilateral financing on climate. As there is no internationally agreed definition of climate finance, the joint report by the MDBs is notable as it represents a significant attempt at harmonization and provides a comprehensive methodology for climate finance coding.

30. *Future tracking and reporting of financing for the implementation of the Convention could systematically draw on these initiatives and existing datasets*. For each reporting cycle, the GM could undertake an in-depth analysis of global datasets, assessing financing patterns for the implementation of the Convention. The Organisation for Economic Co-operation and Development–Development Assistance Committee (OECD-DAC) would provide the starting point. Data is tracked using the Rio Markers on climate change, biodiversity and desertification.[12] Beyond existing OECD-DAC data, the analysis would draw on available data from the initiatives stated above.

31. *In a longer-term perspective, a common and harmonized definition of desertification and LDN finance could be jointly developed with selected global tracking initiatives*. This would also contribute to shaping some of the emerging initiatives so that they could more comprehensively track financial flows for the implementation of the Convention.

Advantages

32. *Relieving country Parties from the burden of financial flow reporting*. Simultaneously, a more comprehensive and accurate "big picture" perspective on the

[12] The Rio Markers define desertification-related aid 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 degraded land.

financing for the implementation of the Convention would be established, drawing on multiple sources.

33. *Improving tracking and reporting with low direct costs for the UNCCD*. As identified tracking initiatives of potential relevance to the UNCCD are underway in other fora, including the OECD and UNFCCC, costs to the UNCCD to utilize and potentially strengthen these datasets for its purpose would be low.

Limitations

34. *Definitional issues*. Not all emerging tracking initiatives can be easily used to measure financial flows for UNCCD implementation as, thus far, most of them have paid little attention to desertification and land degradation definitions.

35. *Reporting consistency*. A shortcoming of OECD-DAC data is that quantification of finance flows tagged with a Rio Marker is done differently by DAC members. Most countries report 100 per cent of finance attributed as primary activities.

36. *Private, domestic and other finance flows*. While the emerging initiatives are expanding tracking and reporting beyond the ODA, it appears to be difficult to fully capture the multitude of public/private and domestic/international flows, though the TOSSD metric could include this in the future.

C. Option 3: In-depth country analysis

Description

37. *Country analysis of resource mobilization, public expenditures, and economic and social benefits*. Another option for the tracking and reporting of financing for the implementation of the Convention could comprise in-depth analysis of selected countries on a voluntary basis. For each reporting cycle, the GM would work with a number of "champion" countries in partnership with selected international organizations active in the country to undertake (i) an analysis of the country's resource mobilization efforts and financing opportunities for the implementation of the Convention; (ii) a public expenditure review in partnership with the government and in collaboration with national think tanks and institutions; and (iii) a socio-economic assessment that evaluates the benefits and cost-effective pathways for allocating resources for the implementation of the Convention.

38. *Resource mobilization and financing opportunities analysis*. This analysis would consist of a tailored review of how successful the country has been in mobilizing resources from different sources, that is, international/national, public/private and traditional/innovative sources. This analysis would also comprise a forward-looking component by identifying potential opportunities for increasing the mobilization of resources in the context of the changing global financing landscape.

39. *LDN public expenditure review*. There are already increasing efforts to conduct in-depth reviews of public expenditures on critical sustainability themes such as climate change, biodiversity, poverty and environment, for example, the joint World Bank/United Nations Development Programme project, "Climate Public Expenditure and Institutional Review"; Financial Resources for Biodiversity and Development; and the Poverty Environment Initiative. Along the lines of these reviews, an LDN public expenditure review could be jointly developed with these and/or other international partners, applied in and tested with champion countries.

40. *Analysis of economic and social benefits of investments*. The economic costs of desertification and land degradation are estimated at USD 490 billion per year. Avoiding land degradation by applying sustainable land management can generate up to USD 1.4

trillion of economic benefits.[13] In order to break down these "big numbers" into meaningful decision-support information for country policy-makers, it is suggested to undertake an analysis of the socio-economic benefits and cost-effective pathways for UNCCD implementation with selected champion countries. The analysis of the socio-economic benefits resulting from UNCCD implementation investments would have a particular focus on: (i) the valuation of land-based ecosystem services; (ii) the contribution of investments to creating jobs, the reduction of poverty, and the achievement of other SDG targets; and (iii) the evaluation of alternative investment scenarios with the corresponding benefits. In order to carry out this task, the GM, in partnership with the Economics of Land Degradation Initiative and the Millennium Institute (an independent think-tank that has developed the "Threshold 21" dynamic simulation tool designed to support comprehensive, integrated, long-term national development planning) would build an 'Integrated Policy Assessment Tool' (IPAT) to be applied in collaboration with leading national economic institutions of selected countries.

Advantages

41. *Resource mobilization and financing opportunities analysis would establish a country-specific track record and identify country-tailored financing opportunities*. This analysis would allow identification and understanding of the effectiveness of the past and present strategies to mobilize resources. Based on this analysis, it would be possible to draw lessons for the future, and identify the necessary changes to increase the financial resources to implement the Convention.

42. *A public expenditure review would contribute to increased cross-sector policy coherence*. The public expenditure review would not only provide information on spending patterns, it would also contribute to creating a common understanding within the government of the importance of cross-sector policy coherence and how respective sectoral policies and investments can be mutually leveraged.

43. *Showcasing the multiple benefits of UNCCD investments would be important for attracting additional financial resources for the implementation of the Convention*. This information would also be relevant for identifying the most beneficial pathways and the associated resources to be mobilized for the successful implementation of the Convention.

44. *Creating value for individual countries and creating value for all countries*. While the tailored and in-depth assessments would provide value for the volunteering countries, including capacity development through joint "on-the-job" learning, the benefits would go beyond individual countries. Lessons learned of relevance for other countries would be distilled and made available by the GM in collaboration with the champion countries.

Limitations

45. *Definition of desertification and LDN financing*. As with the previous options, ensuring cross-country comparability of these assessments requires operational definitions of what constitutes desertification and LDN financing. Working with champion countries on a voluntary basis on in-depth country analyses would contribute to building, through a bottom-up approach, a more general understanding of desertification and LDN financing and spending, hence contributing to addressing the main challenges of financial tracking and reporting encountered so far, namely the development of a common standard.

[13] See the "Economics of Land Degradation Initiative: Report for policy and decision makers", 2015. Retrieved from: <http://eld-initiative.org/fileadmin/pdf/ELD-pm-report_05_web_300dpi.pdf>.

VI. Conclusions

46. *The financing landscape for development assistance to finance desertification and LDN actions has changed substantially since Parties to the UNCCD adopted the Strategy*. Levels of traditional ODA have not changed significantly, while other sources of financing have increased several-fold.

47. *LDN can be a vehicle to substantially tap into increased finance for the implementation of the Convention, and a lens to create coherence amongst national policies and commitments*. LDN has finally come to the forefront of the development agenda as target 15.3 of the SDGs, and UNCCD Parties have adopted LDN as a strong vehicle for implementing the Convention. It represents a sizeable opportunity for governments to create sustainable development leverage by using the multiple benefits of LDN as an accelerator for UNCCD implementation. It is also a lens for creating coherence amongst key national policies and commitments, inter alia, climate and restoration. The multiple benefits delivered by LDN projects make the case for using LDN as the platform to mobilize increased resources for financing the implementation of the Convention within the context of the overall sustainable development agenda.

48. *In order to make tracking and reporting on the financing for the implementation of the Convention more purposeful, a systematic analysis of global datasets and a tailored country analysis with "champion" countries is proposed*. In other words, a combination of options (2) and (3) is suggested as an approach to tracking and reporting on financing for the implementation of the Convention as integral part of the UNCCD 2018–2030 Strategy. This combination would correspond best to the lessons learned and the suggested principles and objectives of future tracking and reporting on the financing for the implementation of the Convention.

VII. Recommendations

49. Taking into consideration the analysis and conclusions of this report, the following recommendations are made:

50. Parties are encouraged to use LDN as a vehicle to tap into unprecedented financing opportunities for the implementation of the Convention. The GM is requested to step up its support for countries by identifying and tapping into emerging financing opportunities, including climate and private sector financing, particularly in the context of the LDN target setting exercise.

51. Parties that have committed to setting voluntary national LDN targets are encouraged to use the target setting process to create leverage. Leverage can be created by showcasing the multiple benefits of LDN and using LDN as a lens for ensuring policy coherence, engaging key partners, and prioritizing the development of large-scale transformative projects, that is, to move "from pilots to scale". The GM is requested to support countries in identifying leverage opportunities and transformative projects, in close collaboration with international partners.

52. Parties are encouraged to adjust the tracking and reporting on the financing for the implementation of the Convention as part of the emerging UNCCD 2018–2030 Strategy. A combination of the analysis of global datasets, to be undertaken by the GM, and in-depth, tailored country analysis of resource mobilization, public expenditures and the economic and social benefits of actions to implement the Convention is recommended.

53. The GM is requested to mobilize resources for the implementation of the proposed approach to track and report on financing for the implementation of the Convention, particularly for the proposed in-depth country analysis. Parties interested in conducting a national in-depth analysis are encouraged to identify additional financial resources.

54. The GM is requested to establish partnerships to implement the proposed approach to tracking and reporting, in particular, to develop a methodology for an LDN public expenditure review and to develop the IPAT tool and start applying it with champion countries in 2017.

55. The GM is requested to engage with emerging sustainable development finance tracking initiatives to ensure that desertification and land degradation definitions are captured in future global finance tracking systems and finance coding methodologies.

Annex I

Financing opportunities for implementation of the UNCCD: report by the International Institute for Sustainable Development prepared on behalf of the Global Mechanism

1. This brief presents an overview of the sources and sectors of financing for desertification and land degradation projects and the opportunities for new funding sources. The final section offers conclusions and recommendations.

I. Global Development Assistance Profile

2. The profile of global development assistance has changed in the eight years during which the Parties to the UNCCD have been implementing the 10-year strategic plan and framework to enhance the implementation of the Convention (2008–2018) (The Strategy). According to the Organisation for Economic Cooperation and Development (OECD), while Country Programmable Aid (CPA)[14] had increased by approximately 13 per cent between 2007–2008 (USD 48,635 million in 2007 vs. USD 55,052 million in 2008), this figure remained fairly constant throughout the following six years. In 2014, CPA stood at USD 56,992 million, only USD 1,940 million more than in 2008.

3. During the same time period, other official flows (OOF)[15], private flows[16], and grants by private agencies and non-governmental organizations (NGOs)[17] increased exponentially, as presented in Table 1. While the overall amount of CPA remains large in comparison to OOF and grants by private agencies and NGOs, the per cent growth in the latter two types of flows was significant during first six years of The Strategy. At the same time, private flows have increased by more than 200 per cent, and should be considered in a review of development assistance.

[14] Country Programmable Aid: proportion of Official Development Assistance over which recipient countries have, or could have, a significant say. The Organisation for Economic Cooperation and Development (2016), Country Programmable Aid (indicator). Doi: 10.1787/69d8099b-en (Accessed on 5 July 2016).

[15] Other official flows include activities such as export credits; net acquisition by governments and central monetary institutions of securities issued by multilateral development banks at market terms; subsidies (grants) to the private sector to soften its credits to developing countries; and funds in support of private investment. The Organisation for Economic Cooperation and Development (2016), other official flows (indicator). doi: 10.1787/6afef3df-en (Accessed on 5 July 2016).

[16] Private capital flows can be divided into foreign direct investment; portfolio equity (buying and selling of stocks and shares); remittances; and private sector borrowing. The Organisation for Economic Cooperation and Development (2016), Private flows (indicator). doi: 10.1787/4d31a9d6-en (Accessed on 5 July 2016).

[17] Grants by private voluntary agencies and non-governmental organisations (NGOs) are defined as transfers made by private voluntary agencies and NGOs in cash, goods or services for which no payment is required. The Organisation for Economic Cooperation and Development (2016), Grants by private agencies and NGOs (indicator). doi: 10.1787/a42ccf0e-en (Accessed on 5 July 2016).

Table 1
Development Assistance Flows: 2008–2014 (millions of USD)

Financial flow category	*2008*	*2014*	*% change*
Country Programmable Aid	55,052	56,992	3.5
Other official flows	372.1	4,625	1,142.9
Private flows	128,583	402,935	213.3
Grants by private agencies and non-governmental organizations	25,738	32,245	25.2

II. Desertification and Land Degradation Finance Sources and Sectors

4. Projects defined as targeting "desertification" objectives are distinct from projects targeting "land degradation" objectives and the latter have received almost twice as much funding as the former according to the development finance data included in AidData.[18] For the period 2010–2013, there were 365 projects worth USD 450.5 million in aid for desertification projects, implemented by 62 recipients and funded by 30 states and organizations. For the same period, the total amount of aid for land degradation projects reached USD 886.5 million through an equivalent number of projects (364), but more recipients (79) and fewer funding entities (23). Only 26 projects contained both keywords, for a total amount of USD 95.3 million over the same time period.

5. The largest sector for this financing was classified as "agriculture," although the funding has been coded in a variety of sectors including: general environmental protection, forestry, climate adaptation, water supply and sanitation, sustainable land management, energy, food security, REDD+, Education and NGO support (including women).

Table 2
Funding sources and sectors: 2010–2013 (USD)

Sector/purpose	*Organisation for Economic Co-operation and Development–Development Assistance Committee Donors*	*Foundations*
Land degradation & desertification	$95.3 million	
Desertification	$450.5 million	
Land degradation	$886.5 million	
Biodiversity	$4.2 billion	$5.225 billion
Climate change	$17.8 billion	$1.186 billion

6. Using the same database and timeframe, there are 2,801 projects worth USD 4.2 billion in aid for "biodiversity". Similarly, there are 8,590 projects worth USD 17.8 billion in aid for "climate change". As Table 2 indicates, foundation funding exceeded government

[18] AidData (aiddata.org) includes data from 90 bilateral and multilateral agencies at the project level. Most of the data comes from the Organisation for Economic Co-operation and Development datasets, but data from non-Organisation for Economic Co-operation and Development–Development Assistance Committee countries and organizations is also included.

funding for biodiversity projects for the period of 2010–2013. For foundation support that supported themes related to the Sustainable Development Goals (SDGs) for the period 2010–2013, only one per cent of total foundation support (USD 1,186,094,086) could be categorized as supporting SDG 13 (Take urgent action to combat climate change and its impacts), while five per cent of total foundation support (USD 5,225,003,471) could be categorized as supporting SDG 15 (Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss).[19]

South-South cooperation is another potential source of finance, however most finance reporting datasets focus on flows from developed to developing countries.

III. Innovative Finance Mechanisms

7. The World Bank Group defines innovative financing as those activities that generate additional development funds by tapping into new funding sources or engaging new partners, enhancing the efficiency of financial flows, or making financial flows more results-oriented.[20] We review four broad categories of innovative finance mechanisms[21] below, and present specific examples of innovative financing mechanisms related to these categories.

8. **Taxes, dues or other obligatory charges on globalized activities**: Such initiatives generate new public revenue streams. An example is a tax on airline tickets that governments of participating countries levy at the national level within a framework of international coordination. The resources raised through this initiative could be channelled into the Land Degradation Neutrality (LDN) Fund or any fund for the implementation of the Convention.

9. **Solidarity contributions**: Such initiatives direct a portion of the purchase price for a consumer good toward an international development objective. Through the Digital Solidarity Fund, public authorities include “a digital solidarity clause” in their calls for bids to purchase information and communication technology (ICT) equipment and services while the company that wins the bid agrees to contribute one per cent of the total amount of the transaction to the Fund in exchange for the right to use the “Digital Solidarity Fund” label.

10. **Frontloading and debt-based instruments**: Such initiatives make public funds available earlier for development projects by issuing bonds on international capital markets. Debt-based mechanisms include debt conversions, diaspora bonds, and socially responsible or “green” bonds. Green Bond Principles (agreed to in 2014) have identified sustainable land use as an eligible area, thereby making it relevant to desertification/LDN. Debt-for-nature swaps have been primarily used for the protection of rain forests and other critical wildlife habitats or biodiverse areas. The land has been primarily used for national parks or protected areas. Biodiversity trust funds combine multiple resources, from national budgets to international and private sector funding.

11. **State guarantees, public-private incentives, insurance and other market-based mechanisms**: Such initiatives leverage public funds to create investment incentives for the

19 SDG Funders: SDG Philanthropy Platform (http://sdgfunders.org/sdgs/).
20 <http://siteresources.worldbank.org/CFPEXT/Resources/IF-for-Development-Solutions.pdf>.
21 The four categories are based on: <www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/InnovativeFinancing_Web%20ver.pdf>.

private sector, that is, through state subsidies or commitments to purchase a particular product at a set price (e.g. a vaccine). Other mechanisms seek to reduce sovereign risk and/or macroeconomic vulnerabilities. Weather-based insurance or counter-cyclical loans, for example, aim to improve the effectiveness of finance. Most insurance initiatives are based on the model of providing public funds to increase the capacity of insurance markets to bear risk. Where insurance programmes and facilities do not exist at all, public funds also provide the start-up costs. These initiatives often involve technical assistance to increase the capacity to improve information (e.g. weather-related data) and the risk environment. The Global Innovation Lab for Climate Finance pilots instruments for climate finance and biodiversity-based businesses, including the use of certification and standards for environmental management and biodiversity conservation.

IV. Conclusions

12. Attention should be given to funding sources in proportion to their magnitude in calculations of total official flows for sustainable development. Project design should look beyond traditional funding sources for land degradation and desertification to include other sectors such as climate change, biodiversity conservation, agriculture, sustainable land management, forestry (including low forest cover), water management, and rural development. The possibility of using debt swaps to finance the implementation of the Convention could be explored. To be effective, such projects would need to involve local landowners and land-users, local NGOs or civil society organizations, and incorporate a bottom-up, rather than top-down, process. Likewise, diaspora bonds or socially responsible or “green” bonds could be explored as a way of financing projects to address land degradation.

13. In addition, an operational definition of what constitutes financing for the implementation of the Convention, including LDN, would lay the groundwork to tap into synergies with existing and emerging processes for tracking financial flows, building on the work that is summarized above; options to close data gaps regarding financial flows, particularly on South-South cooperation, should be pursued; and the convening power of the UNCCD should be used to generate partnerships that will encourage other multilateral processes to incorporate synergistic issues into their work, as appropriate.

Annex II

Analysis of global financial tracking systems, prepared by the International Institute for Sustainable Development on behalf of the Global Mechanism

This section reviews several emerging approaches that track financial flows related to sustainable development projects. Each of the approaches noted below could contribute to the efforts to track desertification and land degradation neutrality (LDN) financing, either directly or indirectly. Several of the approaches are expected to track financial flows for the Sustainable Development Goals, including target 15.3 on LDN. Other approaches are tracking development, sustainable agriculture, biodiversity or climate financing, which will include efforts related to desertification and LDN. The methods through which these approaches will collect data are also of interest for tracking financial flows related to desertification and LDN; they also could help reveal new funding opportunities for LDN projects.

Summary of emerging approaches to tracking Sustainable Development Financing

Approach	*Substantive issues covered/ level of focus*	*Data source(s)*	*Notes*	*Relevance for the UNCCD*	*Cost*
Global overviews of Sustainable Development Financing					
Total official support for sustainable development	Sustainable Development Goals (SDGs) Global overview	Will develop a new dataset that will include all sustainable development-related finance. Two perspectives to be tracked: the "recipient" perspective (equivalent to Country Programmable Aid), and the "provider" perspective (support provided by official providers).	This tracking system is likely to provide the most comprehensive dataset for SDG financial flows. It is currently under discussion and open for comments.	Will seek to track financing for SDG target 15.3. The benefit to the UNCCD will depend on how the tracking process is implemented.	Not an additional cost to Parties based on a UNCCD decision.

Approach	*Substantive issues covered/ level of focus*	*Data source(s)*	*Notes*	*Relevance for the UNCCD*	*Cost*
Inter-Agency Task Force on Financing for Development	Financing for Development outcomes (AAAA) and the means of implementation of the post-2015 development agenda (2030 Agenda and the SDGs) Global overview	World Bank Group, the International Monetary Fund, the Organisation for Economic Co-operation and Development and the United Nations Conference on Trade and Development.	May look to the UNCCD for input on how to define and track financing for SDG target 15.3. Will depend on existing datasets.	Will seek to report financing for SDG target 15.3. The benefit to the UNCCD will depend on how the tracking process is implemented.	Not an additional cost to Parties based on a UNCCD decision.
International Aid Transparency Initiative (IATI)	Development Activities Global overview	Participating governments, Multilateral Development Banks (MDBs), non-governmental organizations	The value of this process depends on efforts by multiple actors through a voluntary approach. A global overview would depend on engagement of a significant number of countries.	The IATI Standard, a format and framework for publishing data on development cooperation activities, could provide an example for UNCCD efforts to develop comparable data sources for tracking desertification-related financing flows.	Not an additional cost to Parties based on a UNCCD decision.
Climate-related finance tracking approaches					
United Nations Framework Convention on Climate Change Paris Agreement on climate change (Article 9, paragraph 7)	Climate change financing Global overview	To be determined	Mandated to identify finance provided as well as mobilized through public interventions.	Ongoing process the UNCCD could engage in	Countries already engaged in this process based on the Paris Agreement decision.

Approach	*Substantive issues covered/ level of focus*	*Data source(s)*	*Notes*	*Relevance for the UNCCD*	*Cost*
Joint Report on MDBs' Climate Finance	Climate change Overview of MDB lending	MDB data sources	MDBs developing a typology of climate-related projects.	The UNCCD could review how the MDB typology of climate relevance corresponds with activities related to desertification.	Low
Climate public expenditure and institutional review and climate budget tagging	Climate change projects Domestic	National climate plans and actual government budgets.	Also evaluates relevant policies and institutions and incorporates assessments of "negative" expenditures. The value of this process depends on robust, country-led efforts; a global overview would depend on the engagement of a significant number of countries.	Example for how domestic financing could be assessed. The UNCCD could explore whether LDN issues are or could be considered in this process.	High
Other sector-related finance tracking approaches					
REDDX	REDD+/ tropical deforestation Domestic and global overview	Global assessments as well as country-level accounting exercises.	Project engages contributors and recipients; includes interviews with relevant stakeholders.	Example of a financial tracking process that engages multiple stakeholders.	High

Approach	*Substantive issues covered/ level of focus*	*Data source(s)*	*Notes*	*Relevance for the UNCCD*	*Cost*
SE4All Global Tracking Framework and Accountability Framework	Energy access, energy efficiency and renewable energy	Relevant project data for a global tracking framework.		Example of financial tracking of projects/ outcomes.	High
	Domestic and global overview	Actors to make commitments and provide periodic updates on progress towards those commitments.			