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

EXECUTIVE SUMMARY

This report is prepared in accordance with decision 9/COP.6, by which the Conference
of the Parties (COP) decided to include in the agenda of the third session of the Committee
for the Review of the Implementation of the Convention (CRIC) an item on the “review of
available information regarding the mobilization and use of financial resources and other
support by multilateral agencies and institutions, with a view to enhancing their effectiveness
and efficiency towards the achievement of the objectives of the Convention, including
information on the activities of the Global Environment Facility, the Global Mechanism and
its Facilitation Committee”. The purpose of this report is to present the most salient
developments regarding mobilization and use of financial resources from multilateral sources
in an integrated manner, so as to assist the Parties in further articulating their strategy to
ensure adequate, predictable and coherent financing of the implementation of the United
Nations Convention to Combat Desertification (UNCCD). It is not a substitute for the
reporting on activities that these institutions may wish to provide to the CRIC.

Ten years have passed since the adoption of the Convention. During these years, the
Parties to the Convention have focused on the preparation of national, subregional and
regional action programmes (NAPs, SRAPs and RAPs), which are the implementation
frameworks of the UNCCD. The Parties are now ready to move from preparing these
programmes to actually implementing them, keeping in mind constraints on resources that
were highlighted in the comprehensive report of the first session of the CRIC.
Without ignoring the need for bilateral support from developed country Parties called for under specific provisions of the Convention, the mobilization of financial resources and other forms of support from multilateral agencies and institutions has been recognized at the highest level as necessary in order to achieve not only the objectives of the Convention, but also those relating to poverty eradication and the Millennium Development Goals (MDGs). The United Nations General Assembly reaffirmed in resolution 58/242 that the Convention is an important tool for poverty eradication, particularly in Africa, and recognized the importance of the implementation of the Convention for meeting the internationally agreed development goals, including those contained in the United Nations Millennium Declaration.

From the information gathered in preparing this report, it appears that progress has been made in giving a new impetus to UNCCD implementation. However, full and effective implementation of the Convention still faces various obstacles ten years after its signing, and Parties, multilateral agencies and institutions must step up their efforts to bring about concrete actions leading to observable results and benefits for affected communities. Given the declining trend observed in official development assistance (ODA) flows towards agriculture and rural development since the early 1990s, developed country Parties could play a positive role and assert their leadership by joining multilateral agencies in financing UNCCD implementation and re-engaging bilateral support to the action programmes in the rural drylands covered by the UNCCD.

The creation of a new Global Environment Facility (GEF) focal area on land degradation constitutes a significant development in resource mobilization towards UNCCD implementation. In this context, given the overwhelming response to the setting up of the GEF Operational Programme on Sustainable Land Management (OP 15) and the inadequacy of currently available resources to meet the demand, Parties to the UNCCD and the GEF may want to ensure a robust replenishment of resources allocated to the land degradation focal area to a level above the US$ 500 million in the context of GEF-4.

In order to broaden the financial basis for the implementation of the Convention, the Global Mechanism (GM) could continue to explore new and innovative sources of funding such as payment for environmental services, debt swaps, foreign direct investment and carbon trading schemes. Assistance from Parties to the UNCCD in identifying and promoting commercial opportunities for dryland goods and services in cooperation with private sector organizations could contribute towards this end. It is further expected that the forthcoming GM resource mobilization strategy will facilitate the engagement of developed country Parties. The GM Facilitation Committee (FC) members could enhance the effectiveness and efficiency of their activities by applying an integrated strategic approach towards the achievement of the objectives of the UNCCD. Options for advancing this objective include the development of a common strategic vision of land degradation activities among the FC members within the framework of the GM business plan, and its inclusion in the various joint work plans that should serve as strategic planning tools.

Parties and multilateral agencies and institutions are invited to provide more substantial support to mobilizing resources towards the implementation of the UNCCD. Recent progress must be commended and can inspire all UNCCD partners to make best use of this Convention as a primary tool for maintaining or restoring drylands ecosystems while alleviating poverty. The Convention will thus fulfil its potential for contributing to sustainable development, a potential recognized by the UNCCD COP, the World Summit on Sustainable Development (WSSD) and the United Nations General Assembly.
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I. BACKGROUND INFORMATION

1. In its decision 1/COP.6, the COP to UNCCD invited Parties, “with the collaboration of relevant multilateral organizations including the GEF implementing agencies and the GM, to use the country-driven consultative mechanisms to identify the best options for mainstreaming the NAPs into national development frameworks and to mobilize the needed financial resources in a more predictable and coordinated manner”. It also urged Parties “to use the review process of the Convention to further strengthen the coherence of their ongoing bilateral and multilateral assistance within the framework of the implementation of the Convention and to actively incorporate findings into their procedures and programming of future assistance measures”.

2. The present report is prepared pursuant to decision 9/COP.6 in order to assist the CRIC in its consideration of aspects of the UNCCD implementation process relating to resources mobilization and in any consequent decision-making.

3. Ten years have elapsed since the adoption of the Convention, and 2006 will mark the tenth anniversary of its entry into force. During these years, developing country Parties to the Convention have focused primarily on preparation of the action programmes which are the implementation frameworks of the UNCCD. The Parties are now ready to move from preparing these programmes to actually implementing them.

4. At the same time, the mobilization and use of financial resources and other support from multilateral agencies and institutions has been consistently recognized at the highest level as being necessary in order to achieve not only the objectives of the Convention, but also several objectives directly relating to poverty eradication and other provisions of the MDGs.

5. Indeed, the Johannesburg Plan of Implementation (JPOI) adopted by the WSSD states in paragraph 7 that eradicating poverty is the greatest global challenge facing the world today and an indispensable requirement for sustainable development, particularly for developing countries. The JPOI further notes that the concerted and concrete measures required would include action at all levels “to combat desertification and mitigate the effects of drought and floods, including through the provision of adequate and predictable financial resources to implement the UNCCD”.

6. The WSSD stressed, through paragraph 24 of the JPOI, that “managing the natural resources base in a sustainable and integrated manner is essential for sustainable development” and that such an objective requires strengthening “the implementation of the UNCCD to address causes of desertification and land degradation in order to maintain and restore land, and to address poverty resulting from land degradation”. It specified that this would require, inter alia, actions at all levels to “mobilize adequate and predictable financial resources, transfer of technologies and capacity-building at all levels”.

7. Paragraph 24 also calls on “the Second Assembly of the GEF to take action on the recommendations of the GEF Council concerning the designation of land degradation (desertification and deforestation) as a focal area of GEF as a means of GEF support for the successful implementation of the UNCCD; and consequently, consider making GEF a financial mechanism of the Convention, while recognizing the complementary roles of GEF and the GM in providing and mobilizing resources for the elaboration and implementation of action programmes”.

8. The COP welcomed, in decision 2/COP.6, the “recognition by the WSSD of the UNCCD as one of the tools for poverty eradication”, underlined “the importance of the implementation of the Convention for meeting the MDGs”, and further welcomed “the call made by the WSSD to strengthen the implementation of the UNCCD to address poverty by, \textit{inter alia}, mobilizing adequate and predictable financial resources”.

9. Furthermore, the COP welcomed, in decision 6/COP.6, “the decision by the WSSD […] which, \textit{inter alia}, recognized the complementary roles of the GEF and the GM in providing and mobilizing resources, and called on the Second GEF Assembly to consider making the GEF a financial mechanism of the Convention”.

10. The COP also urged, in decision 2/COP.6, “all development partners, including United Nations agencies and the Bretton Woods institutions, to make use of the Convention in their strategies to achieve the MDGs”.

11. This orientation was supported by the United Nations General Assembly in resolution 58/242 on the implementation of the UNCCD. In this resolution the General Assembly, while “reaffirming that the Convention is an important tool for poverty eradication, particularly in Africa, and recognizing the importance of the implementation of the Convention for meeting the internationally agreed development goals, including those contained in the United Nations Millennium Declaration”, urges “the United Nations funds and programmes, the Bretton Woods institutions, the donor countries and other development agencies to integrate actions in support of the Convention in their strategies to support the achievement of internationally agreed development goals, including those contained in the United Nations Millennium Declaration”.

12. It is also worth recalling the Declaration on the commitments to enhance the implementation of the obligations of the UNCCD (the “Bonn Declaration”, decision 8/COP.4), in which the Ministers and Heads of Delegations of the Parties and observer States to the Convention “stressed the need to enhance special efforts to combat and prevent desertification and/or mitigate the effects of drought during the first decade (2001-2010) of the 21\textsuperscript{st} century, in order to address the severe situation prevailing in various affected developing country Parties, particularly in Africa”.

13. In accordance with the above, the recognition of the UNCCD as a primary tool to combat poverty, combined with the designation of land degradation as a GEF focal area and the adoption of the related OP 15, can greatly promote action to combat desertification and poverty in the context of the UNCCD process and can clearly demonstrate the importance given by the international community to further enhancing the effectiveness and efficiency of mobilizing resources for the implementation of the Convention.

14. In support of these efforts, the present report takes stock of the mobilization and use of financial resources and other support from multilateral agencies and institutions.
II. OVERVIEW OF THE STATUS OF THE MOBILIZATION AND USE OF FINANCIAL RESOURCES AND OTHER SUPPORT BY MULTILATERAL AGENCIES AND INSTITUTIONS

15. Given that each relevant multilateral agency and institution (MAI) will submit to CRIC 3 its own report on activities, the purpose of this report is not to discuss that information. Instead, this report presents the most salient recent developments on the subject matter in an integrated manner in order to assist the Parties in further articulating their strategy for ensuring adequate, predictable and coherent financing of the UNCCD to support action programmes as per paragraph 1(a) of article 13 of the Convention, which underlines the need for “financial cooperation to provide predictability for action programmes, allowing for necessary long-term planning”.

16. In recent years, MAIs have been called upon to step up their efforts in the implementation of the Convention. This has been the case with the GM, which the Parties requested to enhance its “role of mobilizing financial resources to support UNCCD implementation by broadening its funding base”, including through the mobilization of “new sources of financing such as private capital, foreign direct investment, funding from multilateral institutions and grants from private foundations”.1

17. This has also been the case with the GEF, which responded by designating land degradation, primarily desertification and deforestation, as a new focal area for GEF financing2 and by adopting OP 15.3 The Assembly of the GEF also offered the GEF as a financial mechanism of the UNCCD,4 an offer later accepted by the COP.5

18. It is also worth noting some of the promising initiatives recently undertaken by individual multilateral agencies, such as the World Bank, with its TerrAfrica initiative, and the GEF through the Country Pilot Partnerships (CPPs), as well as the joint coordinating process that has emerged includes the UNCCD secretariat and the GM and its FC in promoting the mobilization of financial resources towards the achievement of the objectives of the UNCCD.

A. Mobilization and use of financial resources and other support from the Global Mechanism and its Facilitation Committee

1. Global Mechanism

19. The policies, activities and operational modalities of the GM have been the subject of two complementary evaluation processes which were reviewed at COP 6.6 The present subsection builds on information and guidance provided by these processes and by the COP,

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1 Decision 5/COP.6, paragraphs 1 and 4.
2 Beijing Declaration of the Second GEF Assembly, paragraph 1 and Appendix - Decision of the Second Global Environment Facility Assembly, paragraph 1, 18 October 2002.
4 Beijing Declaration of the Second GEF Assembly, paragraph 2, 18 October 2002.
5 Decision 6/COP.6, paragraph 4.
6 UNCCD, Global Mechanism - Review, pursuant to article 21, paragraph 7, of the Convention, of the policies, operational modalities and activities of the Global Mechanism, and the provision of guidance to it. ICCD/CRIC(2)/5, and UNCCD, Independent Evaluation of the Global Mechanism - Final Report to the World Bank Development Grant Facility. ICCD/COP(6)/MISC.1.
and focuses on the strategic concepts guiding the GM in fulfilling its mandate to mobilize and channel financial resources in order to increase the efficiency and effectiveness of existing financial mechanisms.\footnote{Article 21, paragraph 4 of the UNCCD and decision 24/COP.1.}

20. The GM approach in fulfilling its institutional mandate in conformity with the directives of the COP and with the support of the FC, applies the following concepts: mainstreaming, partnership building and multiplier effect.\footnote{GM, \textit{How does the GM Operate?}, http://www.gm-unccd.org/English/About/GMOperates.htm.} The GM seeks to promote the mainstreaming of the UNCCD through integrating the objectives of action programmes into the governmental planning and budgetary processes of countries affected by desertification, as well as into the development cooperation frameworks adopted by the various donors. A presentation of issues relating to mainstreaming provides more information in document ICCD/CRIC(3)/MISC.1, National action programmes mainstreaming and their contribution to overall poverty eradication. Conditions to facilitate partnership building take place primarily in the context of the work of the FC, which is addressed in more detail in the next subsection.

21. The GM sets in motion the multiplier effect through the provision of catalytic resources that contribute to the mobilization of additional resources. According to the GM, in Tunisia, USD 80,000 in catalytic funds from the GM facilitated the mobilization of 24 million USD in investments from bilateral and multilateral donors. In a similar manner, a GM catalytic investment of USD 50,000 in South Africa is reported to have facilitated the mobilization of another USD 80 million so far. In West Africa, USD 110,000 in GM catalytic resources have enabled Niger and Nigeria, with support from the United Nations Environment Programme (UNEP), to develop a transboundary natural resources management project which in May 2004 received a USD 10 million grant from the GEF. In Burkina Faso, a GM catalytic support of USD 130,000 facilitated, through the organization of a Round Table held in March 2004, the incorporation of the main activities of this country’s NAP into the Poverty Reduction Strategy, leading to the mobilization of approximately USD 175 million relating to desertification control. The GM also played a role in supporting the development of the Central Asian Countries Initiative on Land Management (CACILM) which was pipelined at the GEF in May 2004 as one of the first CPPs.

22. The GM has also undertaken a number of initiatives designed to broaden the funding base for the implementation of the Convention. It has intensified its efforts to mobilize innovative sources of funding, in working with private corporations and foundations and considering carbon trading schemes and decentralized cooperation. In this vein, the GM is in the process of developing its resource mobilization strategy. The GM has also initiated preliminary contacts with a number of Italian utility companies and foundations with a view to mobilizing innovative resources.

23. Information collection and dissemination is another area of strategic involvement for the GM. The GM has identified the lack of a solid knowledge base as a factor that hampers the resource mobilization process. In order to address this issue, the GM has developed the Financial Information Engine on Land Degradation (FIELD), a comprehensive database of desertification-related funding sources, financial trends, projects, country and organization profiles, and a variety of related technical and policy reports. The GM has also undertaken economic studies to assess the cost of land degradation for national economies.
2. Facilitation Committee

24. The COP urged, in decision 5/COP.6, “the members of the Facilitation Committee of the GM to enhance substantially collaboration with and support to the GM in order to improve programmatic convergence in the implementation of their activities within the UNCCD framework, notably with regard to the role of the implementing agencies of the GEF in developing actions and projects relating to the new operational programme on sustainable land management”.\(^9\)

25. In response to guidance from the COP, the GM and each of the FC members developed joint work plans for 2004, in line with the GM Business Plan 2003-2006 endorsed at COP 6. The joint work plans list the initiatives that are subject to partnerships between the GM and each of the members of the FC. The documents are iterative and a revision is scheduled for early 2005. Given that several partnerships involve more than one FC member, it was proposed at FC-12 that an interagency work plan be prepared to consolidate the information by country/region.

26. In decision 5/COP.6, the COP also invited “country Parties which are members of the governing bodies of institutions represented on the FC of the GM to encourage consistency between their respective policy and strategy frameworks and the objectives of the UNCCD”. In line with this invitation, FC-12 recommended that the World Bank, the International Fund for Agricultural Development (IFAD) and the regional banks develop, through their governing bodies, a strategy for mobilizing additional funding needed for the implementation of the Convention.

27. Collaboration between FC members has led to a certain number of projects and initiatives. The development of TerrAfrica, which was launched by the World Bank, the UNCCD secretariat and the GM in June 2004, illustrates such collaboration. TerrAfrica is a catalytic effort aiming substantially to increase investment in sustainable land management initiatives in Africa. TerrAfrica is a partnership initiative which will involve the World Bank, recipient countries, multilateral institutions and bilateral donors.

B. Mobilization and use of financial resources and other support from the Global Environment Facility

28. In May 2003, the GEF adopted OP 15 to operationalize the land degradation focal area. The objective of OP 15 is “to mitigate the causes and negative impacts of land degradation on the structure and functional integrity of ecosystems through sustainable land management practices as a contribution to improving people’s livelihoods and economic well-being”.\(^{11}\) Although the achievement of the objective of the UNCCD as stated in article 2 of the Convention is not explicitly stated in OP 15’s objective, its paragraph 33 mentions that “GEF support would be consistent with the work programme priorities of the UNCCD as well as the programme priorities on sustainable land management of the CBD and UNFCCC”.

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\(^9\) The FC comprises IFAD, UNDP, the World Bank, the UNCCD secretariat, the GEF secretariat, the Food and Agriculture Organization of the United Nations (FAO), UNEP, the African Development Bank (AfDB), the Asian Development Bank (AsDB), and the Consultative Group on International Agricultural Research (CGIAR).

\(^10\) Decision 6/COP.6.

\(^{11}\) Source: GEF OP 15, paragraph 31.
29. In March 2004, the United Nations General Assembly, in addressing the implementation of the UNCCD, recognized “the strong commitment of the international community, demonstrated at the WSSD and the Second Assembly of the GEF, to make the Facility available as a financial mechanism of the Convention, pursuant to article 21 of the Convention” and “also the role of the COP to the Convention, as the highest decision-making body, in providing guidance on matters regarding the implementation of the Convention and in encouraging financial mechanisms to seek to maximize the availability of resources for affected developing countries, while respecting the respective mandates of the mechanisms”.\footnote{Resolution 58/242. 11 March 2004.}

30. The GEF Council, at its May 2004 meeting, recognized the necessity to strengthen the linkages between the OP 15 delivery mechanism and the UNCCD process and objectives so as to ensure full coordination and complementarity of effort when it “requested the GEF secretariat, in collaboration with the Implementing Agencies, to prepare an analysis of the scope, implementation focus and coherence among the land degradation activities for submission to its meeting in November 2004\footnote{Decision 2.}”. A report on the issue was prepared but could not be discussed and shall be resubmitted at its June 2005 meeting after consideration of further comments by Council members.

31. The creation of the land degradation focal area has raised a number of issues, of which the most salient are the level of funding for OP 15 under GEF-3 and GEF-4 and the nature of eligible activities. These two issues are addressed in chapter III below.

C. Coordination of UNCCD secretariat activities with the secretariats of other relevant international bodies and conventions and with the Global Mechanism

32. The COP requested in decision 5/COP.6 that the GM and the UNCCD secretariat “adopt a joint work programme within the framework of the GM’s Business Plan aimed at maximizing the impact of resources and actions, avoiding duplication and overlap, and tapping into the expertise, added value and network of each organization in a collaborative manner as action programmes are implemented”.

33. In response to that request, the GM and UNCCD secretariat have adopted a joint work programme and developed modalities of cooperation whereby, \textit{inter alia}, the UNCCD secretariat provides policy advice services to the GM. The secretariat has also played an active role in sessions of the FC in support of the GM Business Plan and in the emergence of a common information strategy of the FC.

34. In order to clarify working relationship between the UNCCD and the GEF, discussions are currently under way between the two respective secretariats to develop a memorandum of understanding (MoU), in conformity with decision 6/COP.6 in which the COP requests that “the Executive Secretary, in collaboration with the Managing Director of the GM, […] consult with the Chief Executive Officer and Chairman of the GEF with a view to preparing and agreeing upon a MoU on the arrangements […] for consideration and adoption by the seventh
session of the Conference of the Parties and Requests that such arrangements should be concluded between the secretariat and the GEF and elaborate on how the GEF should take into consideration policies, strategies and priorities agreed upon by the COP”.

35. Further to previous exchanges on this subject, the GEF Council, at its November 2004 session, requested the GEF secretariat to re-circulate to the Council by the end of March 2005 a draft of the MoU describing arrangements to facilitate collaboration between the GEF and the UNCCD. This draft is to be considered by the Council at its June 2005 meeting.

36. Given that UNDP is expanding its role as implementing agency of the GEF in the area of sustainable land management, the UNCCD secretariat has concluded an MoU with UNDP. In this context the secretariat has supported UNDP efforts to enhance coordination at the country level. Furthermore, the UNCCD secretariat and IFAD have articulated the complementarity of their roles in the field of capacity building and stakeholder involvement in the monitoring of sustainable land management initiatives.

III. SUMMARY OF PROGRESS MADE TOWARDS THE ACHIEVEMENT OF THE OBJECTIVES OF THE CONVENTION, CONSTRAINTS ENCOUNTERED AND OPPORTUNITIES FOR ENHANCING THE EFFECTIVENESS AND EFFICIENCY OF FINANCIAL AND OTHER SUPPORT FROM MULTILATERAL AGENCIES AND INSTITUTIONS

37. This chapter summarizes progress made by multilateral agencies and institutions in enhancing the effectiveness and efficiency of financial and other contributions supporting the UNCCD since COP 6. It also highlights some of the related constraints, and opportunities to improve the support of these agencies and institutions.

38. Following the WSSD, the Second GEF Assembly and COP 6, a new impetus has been observed in terms of resources mobilization and improved coordination among MAIs towards the achievement of the objectives of the UNCCD. This is reflected in the designation by the GEF of land degradation as a new focal area and the adoption of OP 15, funded with an initial allocation of USD 250 million. This new impetus is also illustrated by the improved coordination between FC members and the GM through joint work plans and other initiatives such as TerrAfrica and the CPPs.

39. The UNCCD secretariat and the GM have been instrumental in fostering this new impetus by working closely with MAIs in promoting the convergence of objectives and actions on land degradation. This emerging coherence of approach constitutes significant progress. However, corresponding convergence between the objectives and actions of MAIs and those of bilateral donors in the context of UNCCD implementation is yet to be expanded to secure an overall effectiveness and efficiency of support for the objectives of the Convention.

40. Recent progress in mobilizing resources from multilateral sources for UNCCD implementation should be put into the perspective of the overall declining trend in ODA to agriculture and the rural sector. As mentioned in an IFAD report, resources available for agriculture and rural development have declined by nearly 50 per cent (from USD 4.9 billion in 1988 to USD 2.5 billion in 1999). At the same time, domestic resources allocated to agriculture and rural development have decreased in several affected developing countries.
According to the International Monetary Fund, between 1990 and 1998 the share of agriculture in government expenditures fell from 6.2 per cent to 3.9 per cent in Sub-Saharan Africa, from 8.4 per cent to 5.4 per cent in South Asia, from 3.2 per cent to 1.9 per cent in Latin America and from 4.1 per cent to 1.1 per cent in West Asia and North Africa.

41. In its report, Aid Targeting the Objectives of the Rio Conventions 1998-2000, the Organization for Economic Cooperation and Development (OECD) noted that although NAPs are defined as the priority implementation mechanism of the UNCCD, the members of the Development Assistance Committee (DAC) did not, when assessing their support to the implementation of the UNCCD, distinguish resources allocated to the implementation of these programmes from resources dedicated more generally to activities linked with drylands or rural development. Consequently, it remains a challenge for the Convention to play its role fully as the primary instrument for mobilizing, channelling and coordinating resources and activities to combat desertification.

42. Difficulties in enhancing the effectiveness and efficiency of financial support to UNCCD implementation include constraints such as: the lack of a common interpretation concerning the criteria for specific allocation of resources to the UNCCD and, according to developed country Parties, the gaps still existing in data collection and research bases on the scope and extent of desertification. A number of initiatives designed to fill this knowledge gap are under way, including the Global Assessment of Desertification of the Millennium Ecosystem Assessment, Land Degradation Assessments in Drylands (LADA) and the Challenge Programme on Desertification, Drought, Poverty and Agriculture (DDPA) which is a programme of the CGIAR.

43. In terms of the level of resources available for UNCCD implementation, a significant constraint arises from the current level of funding under GEF-3 available for the land degradation focal area, which appears to be severely inadequate to meet the demand. The GEF secretariat pointed out to the GEF Council at its November 2004 meeting that after only 18 months of operations, resources identified for approved and pipelined projects have already reached the USD 250 million programmed for the land degradation focal area in GEF-3. Most projects now entering the pipeline will mature under GEF-4, and it can be expected that the demand for funding for this focal area under GEF-4 will be vastly greater than it was under GEF-3. In May 2004, several GEF Council Members pointed out the need to keep under review the adequacy of resources in this area. Given the significant role of the GEF in catalyzing resource mobilization for the implementation of the UNCCD through the land degradation focal area, this matter is of obvious importance.

44. In addition to the US$ 250 million allocated through OP 15, an equivalent amount was allocated under GEF-3 for land degradation as a cross-cutting issue in the other GEF focal areas of climate change, biodiversity and international waters. Some constraints lie in the difficulty of tracking the flow of these funds and in the manner they respond to demands from the UNCCD programming process and of assessing the relevance of funded activities with

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15 Ibid.
regard to the priorities in UNCCD implementation. These uncertainties hinder efforts to improve coordination and coherence between the GEF and the UNCCD processes.

45. Another development relating to the GEF requires clarification, namely whether the elaboration of UNCCD-related reports and action programmes is included in capacity-building projects eligible for financing under OP 15. Through a decision on Agenda Item 7 reflected in the Joint Summary of the Chairs of May 2003, the GEF Council indicated that the UNCCD implementation frameworks as well as the national reports would be funded under OP 15. This decision specifies that “the Council recognized that in the framework of capacity building projects to be funded under the operational programme, the elaboration of national action programmes, subregional action programmes, regional action programmes and national reports are considered as components”.

46. Based on that decision, two capacity building projects were proposed to the GEF for financing, one supported by UNDP\(^\text{17}\) and the other by the World Bank.\(^\text{18}\) Discussions on these projects took place at the May 2004 GEF Council Meeting. During those discussions, some members of the Council seemed to overlook the May 2003 Council decision which made such projects eligible for GEF funding. This matter warrants renewed consideration on the part of the GEF Council. Given that it is of considerable importance to the affected developing country Parties, the GEF Council may wish to be consistent with its decision of May 2003 and allocate adequate resources to the action programmes and national reports. It is expected that the revised Scope and Coherence document, to be tabled at the June 2005 GEF Council, will reflect developments in this field.

47. While the matter of eligibility of UNCCD-related activities is to be clarified by the GEF Council, the latest deliberations on the issue leave open the question of predictable sources of financing for capacity building initiatives relating to the formulation of action programmes and national reports by developing countries and countries with economy in transition Parties to the UNCCD.

48. An important aspect in this context is the establishment of a formal relationship between the UNCCD and GEF processes. This relationship, which remains to be formalised through a MoU, will define how UNCCD policies, strategies and priorities will be taken into consideration by the GEF. Given the importance of the GEF as a financial mechanism supporting the implementation of the UNCCD, the relationship between the GEF and the UNCCD has to be built on in a manner that ensures due attention towards the objectives and priorities deriving from the Convention and COP decisions.

49. At the project level, coordination and coherence between the GEF-funded projects and the UNCCD process could be further improved through the continued development by UNEP of guidelines/indicators for this purpose. Such guidelines/indicators could be used to select projects to be funded by the GEF and could include, as criteria, factors such as the level of involvement of the UNCCD focal point or national coordinating body in the project preparation and the level of correspondence between the proposed initiative and the advocated measures contained in the NAP of the country concerned.

\(^{17}\) LDC and SIDS Targeted Portfolio Approach for Capacity-building and Mainstreaming of Sustainable Land Management (SLM).

\(^{18}\) Medium Size Project (MSP): Supporting Capacity Building for the Elaboration of National Reports and Country Profiles by African Parties to the UNCCD.
50. One promising development in the operationalization of OP 15 has been the adoption of a programmatic approach in the context of the CPPs launched by the GEF secretariat. This programmatic approach targets policy, regulatory and institutional reforms, capacity building and on-the-ground investment in a comprehensive manner, as opposed to the financing of field-level projects individually. The CPP approach is consistent with the principles of the UNCCD which emphasize an integrated approach and country-driven initiatives in the implementation of the Convention.

51. With regard to collaboration among the FC members, a further opportunity resides in using the existing joint work plans as a basis for the development of a strategic vision of land degradation activities among FC members within the framework of the GM business plan, and in its inclusion in the various joint work plans, which are not currently conceived of as strategic planning tools. The adoption of such a strategic approach would contribute much to enhancing the effectiveness and efficiency of FC members’ support towards the achievement of the objectives of the UNCCD.

52. The enhanced involvement of the MAIs contributes to the effective implementation of the Convention. The effectiveness and sustainability of this contribution will be ensured only if Parties actively support initiatives undertaken by MAIs in accordance with article 9, paragraph 3 of the Convention which states, “the Parties shall encourage organs, funds and programmes of the United Nations system and other relevant intergovernmental organizations, [...] in a position to cooperate, in accordance with their mandates and capabilities, to support the elaboration, implementation and follow-up of action programmes”.

53. The process leading to the GEF-4 replenishment opens an opportunity for concerted action by all Parties to promote the allocation of an appropriate level of funding for the land degradation focal area with a view to achieving the UNCCD objectives. Given the catalytic effect of GEF resources, this would significantly boost the mobilization of resources for UNCCD implementation.

54. Another opportunity lies in the diversification of resources available for UNCCD implementation through the development of operational synergies with the United Nations Framework Convention on Climate Change (UNFCCC) process. More specifically, Parties and MAIs could support countries affected by desertification who wish to access GEF resources available for adaptation to climate change under the climate change focal area. In addition, Parties and MAIs could develop strategies to foster the development of carbon financing schemes in drylands. Payments for environmental services schemes in the carbon sector appear to be one promising approach to attracting private, bilateral and multilateral resources in the drylands. However, the lack of accurate data and scientific knowledge on carbon sequestration in the drylands, as well as scarce expertise and information channels to market drylands environmental services, are impediments to the development of such schemes in regions affected by desertification.

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19 Paragraph 130 of the CRIC I report states, “…Parties to the Convention, with the support of the GEF, the GM and partner agencies, could, with the support of the secretariat, assess and define, on an indicative basis, the level of financial resources required for the implementation of action programmes, particularly national action programmes, with a view to drawing up a clear plan of resource allocations prior to COP 7.”

20 This possibility was proposed in UNCCD, Independent Evaluation of the Global Mechanism - Final Report to the World Bank Development Grant Facility. ICCD/COP(6)/MISC.1.
55. Lastly, as noted in a recent report, it is imperative to find new means of mobilizing domestic resources, including savings and private investment in affected Parties. Foreign direct investment can provide an additional source of financing, provided that suitable conditions to attract such investment exist or are put in place. These conditions include skilled human resources, adequate physical infrastructure, stable governance and appropriate policies and legal frameworks. Combined with these conditions, the liberalization of agricultural trade could open opportunities to attract more direct investment in regions affected by desertification.

IV. CONCLUSIONS AND RECOMMENDATIONS

56. It appears from the information gathered in preparing this report that progress has been made in giving a new impetus to UNCCD implementation. However, it should be recalled that full and effective implementation of the Convention still faces various obstacles ten years after its signing and that Parties and MAIs must step up their efforts to implement concrete actions leading to observable results and benefits for affected communities. There is a need to move from NAP formulation to NAP implementation. The iterative process of NAP mainstreaming and financing is central to the implementation of the UNCCD.

57. Based on the review of information undertaken in preparing this report, and on the opportunities and constraints identified, the following are submitted for the consideration of CRIC 3.

58. Given the declining trend observed in ODA flows towards agriculture and rural development since the adoption of the Convention in 1994, developed country Parties could play a stronger role and assert leadership in financing UNCCD implementation by re-engaging bilateral support in integrated natural resources programmes in rural drylands under the UNCCD.

59. The formalization of the GEF-UNCCD relationship through the conclusion of a MoU should take place as requested by COP 6. In this regard, the extent to which GEF-funded land degradation activities have operational linkages with UNCCD objectives needs to be further clarified. As the GEF is a financial mechanism of the UNCCD, the use of its resources for purposes of the UNCCD should be in conformity with the policies, programme priorities and eligibility criteria decided by the COP. Furthermore, procedures for determining jointly the aggregate GEF funding requirements for the purpose of the UNCCD should be adopted.

60. Given the overwhelming response to the opening of OP 15 and the limited resources to meet the demand, Parties to the UNCCD and the GEF should ensure a robust replenishment of the land degradation focal area to a level above the USD 500 million in the context of GEF-4, which would be comparable to resources allocated to the Convention on Biological Diversity (CBD) and UNFCCC under GEF-3.

61. The GEF-4 replenishment constitutes an opportunity for developed country Parties to stand by their commitments under articles 6, 20 and 21 of the UNCCD to mobilize substantial financial resources to implement the UNCCD. Furthermore, mobilization of bilateral

resources to support country-driven processes such as the CPPs would provide another way for the developed country Parties to strengthen their support to the implementation of the Convention.

62. In order to broaden the financial basis for the implementation of the Convention, the GM could continue exploring avenues for mobilizing innovative sources of funding such as payments for environmental services, debt swaps, foreign direct investment and carbon trading schemes. UNCCD partners could take action by establishing a common platform for carbon trading in the drylands which would act as a broker between supply and demand, provide accurate information, and aim to reduce the risks and transaction costs associated with investing in carbon sequestration in the drylands. Assistance from Parties to the GM in identifying and promoting commercial opportunities for dryland goods and services in cooperation with private sector organizations, as per decision 1/COP.6, could further contribute towards this end.

63. The FC may wish to consider developing a common strategic plan in conformity with the GM business plan. A first step could be the development of a common platform for reporting resources and activities dedicated to the implementation of the UNCCD which would distinguish support given to action programmes as the priority implementation mechanism of the UNCCD.

64. Parties and MAIs could also consider ways and means of resolving the knowledge gap that hinders the process of mobilizing resources towards the implementation of the UNCCD. There is also a need to better disseminate existing information, including on best practices and success stories. Consideration could be given to the identification of best channels to disseminate that information. In that regard, the emerging communication strategy of the FC could serve as a tool to deliver such information.

65. By acting upon these recommendations, Parties and MAIs could significantly improve the efficiency and effectiveness of resource mobilization towards the achievement of the objectives of the Convention. Recent progress must be commended and should inspire all UNCCD partners to make best use of this Convention as a primary tool to alleviate poverty where it is widespread, in the rural drylands, and therefore to contribute to sustainable development, as recognized by the WSSD and the United Nations General Assembly.