

Financing to combat desertification, land degradation and the effects of drought

Unless we move rapidly towards a land degradation-neutral world, we will pay a heavy price sooner rather than later



Desertification/land degradation is rarely accounted for as an economic issue, and drought barely accounted for as a disaster. Because desertification, land degradation and drought are slow and silent phenomena, they have a way of creeping up on us and thereby leading us to underestimate their socio-economic impacts.

The cost of desertification

The planet's "natural capital" and asset base, a network of land and water systems, has been calculated by various studies to produce between USD33-72 trillion worth of "free" goods and services that we depend on for a well-functioning global economy. Most recent, the Responsible Investment (PRI) and UNEP Finance Initiative estimated the cost of the mismanagement of all natural assets to the world economy today at around USD 6.6 trillion a year —the equivalent of 11 percent of global gross domestic product—through effects like contamination of water supplies, loss of fertile land through soil erosion and drought, and supply chain disruptions from deforestation and overfishing (2010). Cost estimates on desertification/land degradation covering factors such as soil and carbon fixation loss alone vary widely. A comprehensive assessment is urgently needed to obtain reliable figures.

Cost benefits of action now

The Stern Review on the Economics of Climate Change (2006) convincingly demonstrated that the costs of inaction on climate change far exceeded the costs of action. The Potsdam Initiative (2010) on the economics of biodiversity loss reached the same conclusion. In so doing these reports set in motion a critical international dialogue. One recent preliminary study (BMZ 2011) found that costs of action in agriculture were significantly lower than the costs of inaction in several countries including India, Kenya, Niger and Peru. An earlier study calculated the benefit to cost ratio as 2.5 times higher than the costs (Texas University 1992). Yet despite apparent cost benefits of action, many countries are not currently taking commensurate action to prevent or mitigate land

degradation on a sufficiently forceful scale. The first steps have now been taken towards a comprehensive global analysis of the economics of desertification/land degradation and the added value of sustainable land-use. This will provide an excellent basis for assessing the level of global funding needed to combat desertification and land degradation.

Investment and financial flows

Once the gap between finance needed and that currently available from all sources is known, an ever more sustained effort will have to be made to redirect traditional investment flows to prevent and slow degradation and to restore degraded lands. A judicious interplay of tools available including financial mechanisms of the Convention, ODA, national policies, possibly carbon markets and, in some cases, new and additional resources, will be needed to mobilize the necessary investment and financial flows to address desertification and land degradation.

A global priority

Apart from the economic costs, land degradation is closely linked to our ability to tackle global warming, biodiversity loss, food security, energy, water, health and poverty targets. An additional 12 million hectares of land become degraded each year. The case for action now on desertification/land degradation is irrefutable.



Financing Sustainable Land Management (SLM)

Articles 20 and 21 of the Convention set out Parties' funding obligations and the financial architecture, including mechanisms, to combat desertification/land degradation and to mitigate the effects of drought. This included the establishment of the Global Mechanism (GM) "in order to increase the effectiveness and efficiency of existing financial mechanisms ...[and]... promote actions leading to the mobilization and channelling of substantial financial resources" to affected developing country Parties to the Convention (the Convention text).

In 2002, the World Summit on Sustainable Development invited the GEF Assembly to have the Facility serve as a financial mechanism of the UNCCD. Subsequently, the Assembly heeded the call and offered to the Conference of the Parties the availability of the GEF to play that role, which was welcomed by the Parties in 2003. The Fourth GEF Assembly in 2010 confirmed the decision by amending the GEF Instrument to list UNCCD among the Conventions for which the Facility is playing the role of the financial mechanism.

Reflecting the high priority to tackle land degradation, primarily desertification and deforestation, in 2010 GEF increased its allocation to this focal area by 30 percent, over the previous funding period, to USD 405 million. To date, the GEF has invested USD 438 million in 94 projects and programs supporting sustainable land management to combat desertification and deforestation.

Measuring results of SLM

Under the UNCCD's 10-year Strategy (2008-2018), Parties to the Convention agreed on a more strategic, focused and measurable approach to implementation. Global impact indicators for Sustainable Land Management are being rolled out. These will enable much tighter evaluation of the impact of such investments through the various financial mechanisms.

The Global Environment Facility (GEF)

The GEF provides grants to developing countries and countries with economies in transition, through:

- Country allocations under the System for a Transparent Allocation of Resources (STAR) – A total 144 eligible countries received individual allocations under three focal areas: biodiversity, land degradation, and climate change mitigation.
- Funding for enabling activities - Provision has been made outside the STAR for all eligible countries to access up to USD150,000 for enabling activities, specifically alignment of National Action Programmes with the UNCCD 10-year Strategy and enhancement of reporting activities.
- Synergy with other environmental action programmes - GEF's Land Degradation Focal Area has also contributed USD20 million to an Incentive Programme on Sustainable Forest Management and Reduced Emission from Deforestation and Forest Degradation (SFM/REDD+). These resources can be accessed by countries that designed projects utilizing a portion of their STAR resources to enhance forest management.
- Link to climate change adaptation - Based on their eligibility, countries focusing on activities to combat land degradation (desertification and deforestation) can take full advantage of the Adaptation Funds being managed by the GEF: the Special Climate Change Fund (SCCF), the Least Developed Country Fund (LDCF), and the Adaptation Fund. More detail at <http://www.thegef.org/>

The Global Mechanism (GM)

The GM helps developing countries position on land as an investment priority at the national and international levels and provides them with specialised advice on accessing finance for SLM from a range of public and private sources. Under the UNCCD 10-year Strategy, the GM is required to identify and explore innovative sources of finance and financing mechanisms to promote SLM.

As part of these efforts, the GM has developed the Integrated Financing Strategy (IFS) for SLM. More details at <http://global-mechanism.org/>

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