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Oficina Regional para América Latina y el Caribe**

UNITED NATIONS ENVIRONMENT PROGRAMME  
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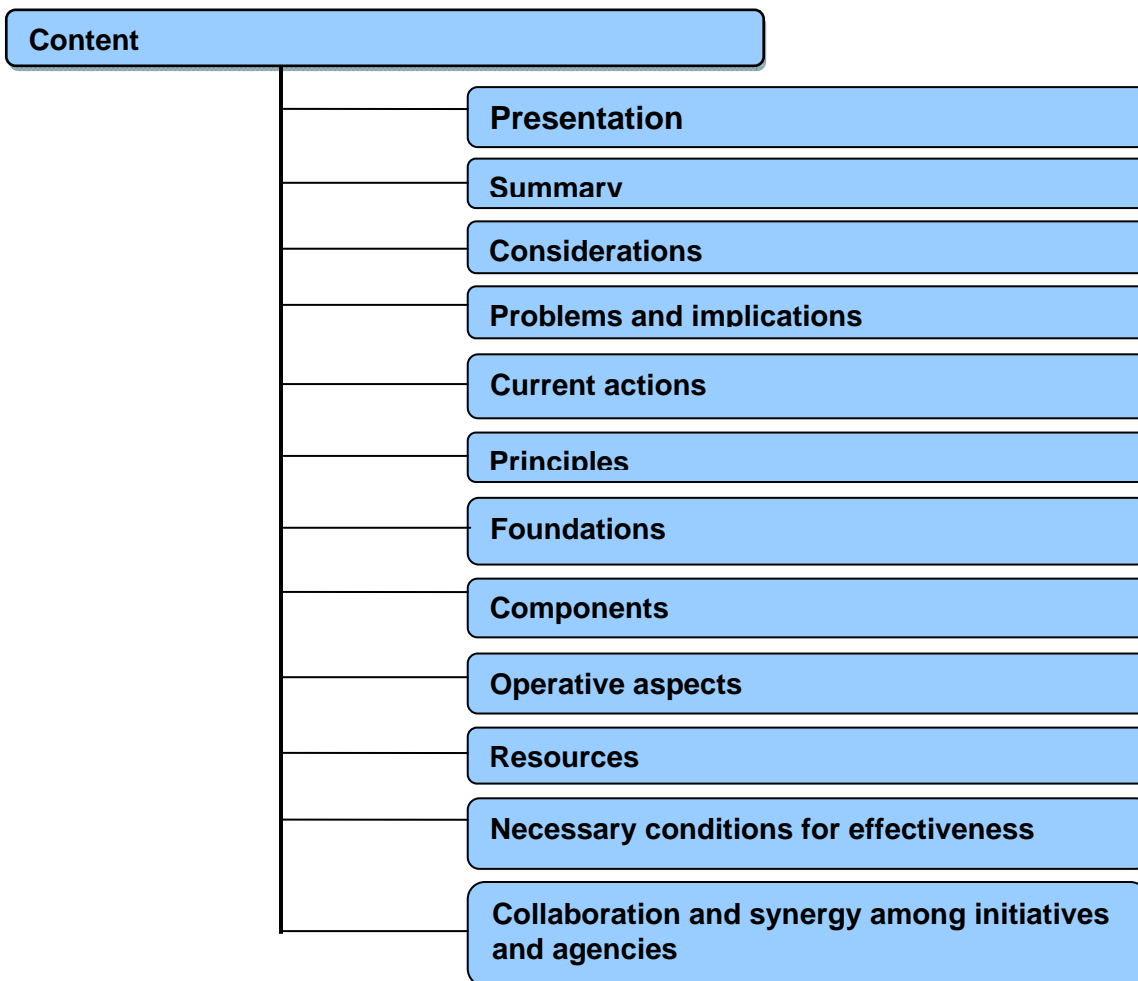
**Proposal  
Towards the Design of a Regional  
Integrated Financing Strategy: Modalities  
and Actions to Increase the Flow of  
Financial Resources Destined to UNCCD  
Implementation in Latin America and the  
Caribbean**

**(Document prepared by the Global Mechanism of the United  
Nations Convention to Combat Desertification)**



## Executive Summary<sup>1</sup>

**Proposal:** “Regional strategy for the mobilization and better use of the resources for the struggle against desertification and drought in Latin America and Caribbean”.



1 The present document constitutes the proposal of a “Regional Integrated Financing Strategy for the mobilization and better use of the resources aimed at the struggle against desertification and drought in the LAC Region” (Regional Integrated Financing Strategy, RIFS). It is a contribution of the Global Mechanism of the UNCCD to this process. The document was reviewed, and the approval of the Interagency Technical Committee (ITC) from the Forum of Ministers of Environment of the LAC Region was received. This final version is presented for the consideration of the XVII Forum of Ministers of Environment of the LAC Region, which will be held in Panama in April of the current year. This document has been prepared by Dr. Carlos Pomareda and Dr. Alan González. Previous versions to the document have received suggestions in the Meeting of Dialogue of the Countries of Latin America and the Caribbean, and the Global Mechanism of the UNCCD, held in Cuba on February 26, 2009. The technical review has been performed by Alejandro Kilpatrick, Soledad Bastidas and Francisco Brzovic. Andrea Kutter, Laura Tlaiye and Ricardo Quiroga have also been consulted on the matter.

## 1. Presentation

**1. Desertification,** Land degradation and the effects of drought (DLDD) seriously affect the lands of Latin America and the Caribbean (LAC), and have an effect in the absence of productivity, poverty and inadequate quality of life, mainly of those who devote themselves to agricultural production. The magnitude and effect thereof are differentiated among countries, as well as within every country. By the same token, there are also multiple possibilities to tackle the problem with effective measures.

**2.** At the meeting of the Forum of Ministers of Environment concerning this topic, held in Brazil in 2001, a reminder was issued stating that all the countries of the region had ratified the United Nations Convention to Combat Desertification (UNCCD). An invitation was made at this Forum to consider the UNCCD as a mechanism for sustainable development and as a tool to eradicate poverty in LAC. Donor countries were also called to contribute financial resources for the implementation of the Convention.

**3.** Within the framework of the XV Meeting of this Forum, held in Venezuela in 2005, an agreement was reached to ask the funding agencies that are part of the Interagency Technical Committee (ITC) from the Forum of Ministers of Environment of LAC, and other international agencies, to reinforce the support provided to the implementation process of the priorities identified in the National Action Programs to Combat Desertification and Drought (NAP-CDD), and to strengthen the synergy of UNCCD with other Conventions.

**4.** In the XVI Forum of Ministers of Environment, held in January of 2008 in the Dominican Republic, the Ministers deemed necessary to review the topic anew and promote a regional vision in the struggle against desertification and the effects of the drought. In addition, the Ministers noted with concern the low profile of the Topic as a specific funding object in the programs of specialized national and international organizations. They acknowledged that it is necessary to act synergistically and with a systemic approach in the regional instrumentalization of adequate measures.

**5.** The Ministers recommended the formulation and implementation of strategies oriented towards ensuring the convergence and integration of the subregional and regional National Action Programs (NAP) to combat desertification and the effects of drought. With the strategies related to food safety and the eradication of poverty; as well as the programs of adaptation to the climate change, the preservation of the biodiversity, the management of water resources, and the sustainable management of forests.

**6.** In virtue of the above, the Ministers asked the ITC and the Secretariat of the Forum, in coordination with the Global Mechanism (GM) of UNCCD, the development of a proposal with regional scope, which indicates the necessary modalities and actions to increase the flow of financial resources aimed at the national, subregional, and regional implementation of the UNCCD, under a synergic approach, in line with the statements of the 10-year Strategy of the UNCCD.

**7.** The Ministers also asked the ITC and the Secretariat of the Forum, in cooperation with the GM, to strengthen the interaction with other international cooperation agencies, particularly the multilateral development banks and the international funds, including the Global Environment Facility (GEF).

**8.** Such an interaction would serve for the establishment of budgetary programs and provisions aimed at the combat against desertification and for the Sustainable Land Management (SLM), including this perspective in their corporate action priorities, creating or strengthening funding lines and technical cooperation, prioritizing the LAC region.

**9.** The GM shall submit this proposal to the members of the ITC and to the Secretariat, which will be able to accept it under the same terms or with modifications and shall consider its submission to the Forum of Ministers; without prejudice to the fact that if the Ministers adopt this Regional Integrated Financing Strategy (RIFS), both institutions shall be able to promote it. The Forum of Ministers shall be in charge of making the final decision to recommend its adoption, as appropriate, by governments and funding agencies.

## **2. Summary of the Proposal**

**10. Principles of the RIFS:** Increase the supply of financial resources, to have an action triggering effect, and to improve the operational base in each country.

**11. Foundations of the RIFS:** Develop differentiated measures at various levels, adopt an integral approach to public and private investment, have clarity about prioritizing actions, specify an effective demand for resources, and ensure the identification and use of funding sources and modalities..

**12. Components of the RIFS:** Alignment of policy measures, implementation of Integrated Financing Strategies (IFS), and strengthening of the operational base in each country.

**13. Operational Aspects for the Implementation of the RIFS:** These aspects include instruments for the regional action based on the Information Program, the Regional Training Program and the Awareness Raising Program. Furthermore, a typology of actions has been made explicit.

**14. Mechanism of operation of the RIFS:** To ensure the implementation with the participation of technical and financial cooperation international agencies, it would be desirable that a small unit responsible for programs and actions is established in one of said agencies. The options should be considered within the framework of the ITC.

**15. Resources for the implementation of the RIFS:** Since this is a mechanism that would allow triggering actions or, in other words, encouraging an investment process, it is estimated that it requires a minimum annual budget of five million dollars and an implementation period of five years at the very least. Due to its feature as a trigger of public policies and investments, we expect the RIFS to generate a significant support impact.

**16. Conditions for the effectiveness of the RIFS:** They involve the commitment of each one of the agencies, as well as the collaboration and synergy among initiatives. Cooperation actions at the LAC level shall be developed as a

collaborative effort of the GM with the funding agencies (World Bank, IDB, IFAD, BCIE, CAF, CDB), with the countries and with all subsidiary bodies of the Convention, including the Secretariat.

**17.** In this harmonic effort, an active role of the UNCCD Focal Points responsible for its implementation at the national level is expected, as well as of the Regional Coordinating Mechanism, which will be strengthened by virtue of the decisions of the recent Ninth Conference of the Parties to the UNCCD, and where the GM and the Secretariat of the Convention will have a relevant role.

### **3. Considerations**

**18.** To generate the RIFS it has been necessary to make a few explicit considerations about their scope within the current context.

**19.** Countries need to make an effort to internalize the principles of the responsibility to combat desertification and drought, especially due to its transversality with the of food security and climate change issues. The Paris Declaration is important as a factor of change of donor policies and relations of governments with international cooperation agencies.

**20.** Governments allocate resources to contribute in different ways to mitigate the DLDD, but not always in the amount or with the desired efficiency. Such assignments are ruled by the policy framework of each country and are national decisions. It is therefore necessary, to contribute to defining policies aimed at encouraging the contribution of these State resources.

**21.** The multilateral financial institutions have their own financial mechanisms and resource allocation decisions to countries respond to their mandate and objectives. Therefore, it is advisable to cooperate so that their contributions are larger and better coordinated, so that they can be better utilized by the countries.

**22.** Within the context of the RIFS, the bodies of the UNCCD, including the GM, without prejudice to their respective obligations identified by the text of the Convention and the decisions of the Conference of the Parties (COP), have no mandate to amend the rules and procedures of governments or international financial organizations and bilateral cooperation agencies. However, especially the Secretariat of the UNCCD and the GM can facilitate the actions needed to attain a greater mobilization and a better use of the resources.

**23.** For production activities to internalize the principles of a positive environmental management, public and private investments needed to overcome the existing DLDD conditions can be financed with resources from multiple sources and through different mechanisms. The key is that the proposals need to "qualify" in order to have access to these resources.

**24.** The core problem is not the availability of resources, but the low profile of the DLDD on the public agenda, reflecting a low weighting. The lack of joint investments and the lack of efficiency in resource allocation, the cross-cutting

nature of the actions related to the Sustainable Land Management, the insufficient generation of quality proposals, and the limited management capacity stand out.

**25.** When the appropriate proposals and conditions arise, and the topic becomes part of the discourse and agenda, the flow of resources in the different modalities outlined below will appear.

**26.** It is necessary to take into account the relative importance of DLDD in the financial agency strategies or programs, their association with other program areas such as food security, poverty reduction, productivity and competitiveness in rural areas, and the management of other natural resources (water, forests).

**27.** The RIFS should recognize, appreciate and support the work being done in the national context with the support of the UNCCD and the GM, because that's where the capacity for better proposals that result in a greater allocation of resources must be strengthened.

**28.** Nationally, there is disconnection in the policies and institutional actions. This may explain, for example, why the formulation of investment projects runs through autonomous channels, and why there are no investment programs derived from the NAP.

**29.** However, in the next phase of the NAP, which will consist of their alignment with the 10-Year Strategy, the development of Integrated Investment Frameworks (IIF), which should be associated to the Integrated Financing Strategies being developed by the countries of the region for the mobilization of financial resources, should be considered.

#### **4. Problems and their Implications for the Regional Strategy**

**30. Multi-dimensionality.** The issue of having addressed a multidimensional problem, while looking for solutions through specific projects is that, in general, institutionality is not built with a long-term vision and emphasis is placed on the project Implementation Units. These conditions may be amended, especially when using the new approaches to regional development, in the logistics of which several agencies converge, which, in addition, also support the local institutionality.

**31. Focus.** In the framework of a global problem, the issues that directly relate to desertification and drought are limited to less than a quarter of the total area affected by degradation problems, although this varies widely among countries. This has a serious implication on the level of each country, and this relates to which areas will be receiving more attention, why and through which measures, this being a national policy decision. Prioritizing actions according to cost and magnitude of benefits to be gained and time in which results are expected, will have to be an important consideration to take into account.

**32. Most affected countries and international support.** On the one hand, if the situation is less severe in LAC than in other parts of the world, or lesser in some LAC countries than in others within the region, one would expect the allocation of resources from (loan and grant) international agencies in relation to the contributions of the countries' Treasury, to be lower in those countries where there is more financial capacity. If the responsibility of international organizations is of

global order, then it should be considered where the use of such resources will bring more global benefits.

**33. Impact on the in situ productive capability.** The recovery and improved management of agricultural and cattle-breeding lands should receive special attention for in situ actions. This while recognizing the bond between forest degradation in areas where most of the precipitation is received and where more carbon can be sequestered or harmful runoff reduced.

**34. The global effect of degradation and the Payment for Ecosystem Services (PES).**

A recovery of degraded lands can generate positive environmental and food externalities. This would allow that some of the resources needed to achieve such recovery to be funded with resources available for these purposes (GEF, bilateral grants, etc.); as far as it is ensured that such global benefits are created and maintained. However, the severity of the degradation and, therefore, the feasibility of generating quality environmental services is very variable. Hence, the PES would not have to be anticipated as a substantial amount for the recovery of land in a severe state of degradation.

**35. The private returns to sustainable management.** The RIFS in addition to assessing the environmental and social implications from an aggregated perspective must be based on microeconomic evidence of what can be achieved in terms of private returns, and that this justifies making investments that are financed by loans.

**36. Institutional capability.** The RIFS should help to invest in institutional capability to enable overcoming of the DLDD. This includes the design and implementation of better policies and projects, learning about the various financing opportunities globally, and the requirements to have access to said resources.

## **5. Current Actions**

**37. Actions at national level.** The central instrument proposed by the UNCCD is the National Action Plan to Combat Desertification (NAP-CCD). By mandate of the 8th Conference of the Parties to the UNCCD, countries must align their NAP with the 10-Year Strategy 2008-2018.

**38.** Several development projects in agriculture, cattle-breeding, forestry and rural development are being developed and implemented, where the combat against land degradation and an improved water supply and use are explicit. However, the converse also occurs.

**39.** There are also initiatives whose objectives provide elements for the Sustainable Land Management, which have no direct relationship with the NAP and, not even, with the National Focal Points and, therefore, do not address the responsibilities of a global problem with the cooperation agencies. There is still not enough cohesion in the proposals with similar objectives in which it can be shown that synergy out of the institutional contributions was generated.

**40 Subregional cooperation actions.** The subregional technical cooperation activities that are being implemented to help each country to increase political



commitment and capacity building in the public sector and civil society to overcome DLDD are recognized.

Regional investment projects with external funds have not materialized, since external debt is based on national projects. However, investments with non-reimbursable cooperation funds are being managed at the subregional level, for example, the Eco-standards and European Union-MERCOSUR projects, in their final stages of negotiation.

**42. Hemispheric cooperation actions.** Subregional cooperation actions do not occur in isolation from efforts at the LAC and globally. It is necessary to refer to the instruments of implementation of the Convention in the region, under the responsibility of the Secretariat of the UNCCD and the GM.

**43. Support from multilateral financial agencies.** The multilateral financial agencies have been supporting a package of measures from the countries to overcome DLDD. They also have programs for subregional and regional cooperation.

**44. The obvious gap is the institutional weakness.** The absence of recognition of the DLDD problem is one of the most critical issues confronted in LAC. The lack of focus and the way each entity and each technician interpret the concepts must also be taken into account. For example, what is understood in the different instances under land degradation? How many are aware of the severity of the problem and the dire consequences of not dealing with it? What are the components of the investment for combating land degradation and mitigating the effects of drought?

## **6. Principles of the RIFS**

**45. Increase the supply of financial resources.** Financial flows to a country and national contributions, do not respond to a regional proposal, but rather to the conditions in each country and to the measures taken to contribute resources of the countries themselves, and attract external funding. However, it is possible to develop a set of regional actions that contribute to attain a greater flow of resources to each country.

**46.** The RIFS has been designed to include common elements that allow a regional approach and coordinated actions, and not the dispersion of distinct efforts, both within individual countries as in the subregions. The idea is to develop actions that, within a common framework, allow for the increase of the financial flows and an improvement of its use.

**47. Have a triggering effect.** The RIFS must act as a trigger of processes, which means, that it has been proposed to develop regional and subregional actions aimed at strengthening cooperation of the operational base in each country. This will improve the recruitment and use of existing funding mechanisms to address the problem of DLDD.

**48. Improve operational base in each country.** The elements of a better operational base in each country are: the quality of human resources, the organization for effective action, the availability of financial resources, the rules for

non-bureaucratic and efficient action, and the effective collaboration among entities.

## **7. Foundations of the RIFS**

**49. Differentiated actions on several levels.** It is acknowledged that there is a need to develop different but complementary actions at the local level of each country, the subregions and LAC. The approach should be defined in the NAP of each country, and in accordance with the 10-Year Strategy.

**50. Comprehensive approach to public and private investment.** The RIFS is based on the recognition that overcoming DLDD conditions requires both public and private investment, in the context of the IEMs. The GM, who exercises a role in this area, states that the IFS are a tool which, while serving to identify alternative funding of said framework, can contribute to its definition.

**51. Prioritizing actions and effective demand of resources.** From the standpoint of existing DLDD problem in each country, we can differentiate three stages:

- a) *Severe and hardly reversible impairment.* This is the case of substantial damage with low economic returns, but with feasibility to improve and be profitable, but at risk of not being sustainable. Since there is a wide range of investment opportunities in LSM, public resource allocations should be oriented towards reforestation programs, and creating opportunities in other territories for those now living in those areas with no alternative;
- b) *Substantive damage with low economic returns, but feasible to improve.* Public investments should include irrigation and drainage works that render possible the recovery of degraded soils and improve the availability of water. As the areas improve and their capacity to generate environmental services becomes greater, PES should be an option in the allocation of resources;
- c) *Economically profitable, but at risk of not being sustainable.* Public resources should prioritize education, technical assistance and awareness-raising among producers so that they make an effort to develop preventative practices in the face of degradation. The PES can be an appropriate instrument as its delivery becomes apparent.

**52. Identification and use of financing sources and modalities.** Public and private investments are financed under different conditions, depending on the nature of the requirements and benefits generated.

**53.** Alternatives may include: public budget funds, funds from taxes on oil and tourism, funds collected from royalties from the exploitation of mineral resources, public external debt funds, donation funds from bilateral cooperation agencies, non-reimbursable cooperation funds, GEF funds, funds from bank credits, reinvestment of tax exemptions, etc.

## **8. Components of the RIFS**

**54. Alignment of policy measures.** A country's policies are the rules that govern the public and private investments, which should incorporate goals

**55.** Specific to the DLDD reduction. General rules are materialized by means of policy measures or instruments. The options are many and the experience of countries is very diverse in terms of the effectiveness of alternative measures. The possibility to learn from what is already being done should be given attention in the framework of the regional cooperation.

**56. Integrated Financing Strategies.** To mobilize more financial resources toward solving DLDD problems, it is necessary to generate better proposals for public and private investments. The actions developed in the framework of the RIFS should be oriented towards this end and based on the IIF for each country.

**57. Strengthening of the operational base in each country.** The quality of human resources, the organization for effective actions, the availability of financial resources in public agencies and private sector organizations, the rules for action and non-bureaucratic and the efficient collaboration among entities that have common mandates should be improved.

## **9. Operative aspects for the implementation**

**58. Tools for the regional action.** Information Program. Regional Training Program. Regional Program of Public awareness.

### **59. Typology of actions.**

- Develop criteria to improve the quality of proposals and thus achieve the goal of getting the necessary resources for the action;
- Provide recommendations for mobilizing resources;
- Suggest ways to achieve institutional synergy;
- Provide support on how to obtain financing for the investments;
- Propose alternatives that optimize the collaboration with the specialized agencies;
- Create proposals for mobilizing domestic resources;
- Create initiatives for the capitalization of the funds collected;
- Develop mechanisms for the follow up and evaluation of results.

**60. The operation mechanism of the RIFS.** For the proper implementation with participation of the international technical and financial cooperation agencies it is desirable that one of them creates a small unit responsible for the programs and actions within each program.

**61.** In the framework of the ITC, options should be analyzed based on their ability to influence the agenda of relevant institutions (mainstreaming) in order to promote the notion of SLM, among others.

**62.** Technical cooperation agencies should establish a Technical Secretariat. The strengthening of the Regional Coordinating Unit of the UNCCD which arises from the decision of the last Conference of the Parties to facilitate regional coordination mechanisms is also an option to host the operating mechanism of the RIFS.

## 10. Resources

**63. The justification for this pre-investment.** There are many limitations in the countries to develop better proposals and projects, so that more resources in the struggle against LDDED can be allocated.

**64.** There are several sources of funds for alternative uses that governments can have access, local organizations and businesses to. The limitations are based on the side of demand rather than on the side of the supply of resources. Therefore, actions must be developed within the framework of synergy, to support the development of national capacities.

**65. Amounts required.** To enable the implementation of the RIFS, it must be considered that it is a mechanism to trigger actions or, in other words, to encourage a process of investment and promotion of appropriate policies.

**66.** In a preliminary basis, it has been estimated that to develop the three programs at LAC requires an annual budget of at least five million dollars, and that the program will be developed over five years. The amount of this pre-investment varies between countries depending on their size and scale of the problems, which involves an allocation of around 150, 000 U.S. \$ per country per year. This is a modest figure when one considers the relevance of the problems and the high returns expected.

**67.** These funds will complement those already provided by the Governments and international agencies for the development of national capacities, which usually are contained in the regular budget contributions from the Governments and in specific ongoing projects. It is considered that five years is a reasonable period to prove the effectiveness of the RIFS.

**68. The sources of the resources and the necessary commitments.** To the extent that the RIFS will have a triggering effect of policies and strategic public investments, it is expected that the investments that materialize, as a result of the support offered, turn out to be very significant.

**69.** A goal of the DLDD public investments of about \$ 500 million per year, for investment horizons of five to ten years, must be put on the table as a subject of analysis<sup>2</sup>. This, in turn, should lead to an at least equal increase of private investments. These figures are presented as preliminary targets that must be achieved to show that this pre-investment may have a high return.

**70.** It must be remembered that the LAC countries have different capabilities of external debt, and that their current budget resources are exposed to different pressures. However, the figures mentioned are realistic if a political commitment is really achieved, which can be considered viable with an effort like the one proposed. The potential contributions to materialize this initiative must be assessed, as a pre-investment, especially anticipating the trigger effect.

**71.** It is suggested to make the request of resources to finance the RIFS to the international development banks (World Bank, IADB and IFAD), and to the GEF.

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<sup>2</sup> This estimate is calculated with the understanding that each year 100,000 hectares of degraded land could be recovered, at a cost of 5,000 U.S. dollars per hectare.

Contributions from the CABEL and CAF could also be considered, as well as from bilateral cooperation agencies.

**11. Necessary conditions for the effectiveness of the RIFS**

**72. Commitment of each one of the agencies.** The objectives and actions of each international body are very important to contribute to increase the resources and achieve their effective use. The key is that organisms acquire the commitment to do so in a sustainable manner.

**73.** The technical cooperation agencies (FAO, IICA and ECLAC) should exploit its comparative advantage in their areas of thematic competence and experience with regards to policy formulation and project development. In addition, the first two should be highly useful by way of their national representations. These three entities and the GM could be a sort of Technical Secretariat for the implementation of the RIFS.

**74.** Multilateral funding agencies shall play their traditional role in the supply of loans or grants to make possible the elimination of DLDD. Furthermore, they shall assume the commitment to strengthen their liaisons at a national level.

**75.** National entities (Ministries of environment, agriculture and economics / finance) must commit themselves to undertake shared leadership in the policy making, the strategic planning and the generation of proposals.

**76.** It is necessary to establish inter-institutional committees or advisory or executive committees or commissions with a legal mandate so that they can, effectively, coordinate and make binding recommendations or decisions.

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**Main Document**

**Towards the Design of a Regional Integrated Financing Strategy:  
Modalities and Actions to Increase the Flow of Financial Resources  
Destined to UNCCD Implementation in Latin America and the Caribbean**

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## 1.1 Background

**77.** This proposal responds to item 4 of Decision 16 regarding the Sustainable Land Management, from the XVI Forum of Ministers of Environment, held in Santo Domingo, Dominican Republic in January 2008 which considers:

*"That, in the same manner, in the framework of Decision 18 of the Fifteenth Meeting of this Forum, held in Venezuela in 2005, Ministers and Environmental Authorities there present agreed to request to those funding agencies that are part of the Technical Interagency Committee, and as well other international agencies, to strengthen and deepen their support to the implementation of the priorities identified in the National Action Programs to Combat Desertification and Drought as well as to strengthen the synergies between the UNCCD with other Conventions."*

**78.** By virtue of the above stated, the Ministers requested from the Interagency Technical Committee (ITC) and the Secretariat of the Forum of Ministers of Environment, in coordination with the Global Mechanism (GM), the following:

*..."prepare a regional proposal, including specific actions and modalities to facilitate and increase the flow of financial resources for UNCCD implementation at national, subregional and regional levels, consistent with the UNCCD's 10-years Strategy".*

**79.** The Ministers also requested from the ITC and the Forum Secretariat, in collaboration with the Global Mechanism to strengthen:

*..."the interaction with other international cooperation agencies, particularly multilateral development banks, international financial facilities, including the GEF, for the establishment of programs and budgetary provisions for supporting actions to combat desertification and sustainable land management, in order to include these issues into their corporate priorities by creating and/or strengthening technical and financial cooperation, and assigning appropriate priority to the Latin American and the Caribbean Region (LAC)".*

## 1.2 Scopes of the RIFS

**80.** The starting point for developing the RIFS is the request made by the Forum to the ITC and the Secretariat, expressed in paragraph 3 of Decision 16:

*"To increase the flow of financial resources for UNCCD implementation at national, subregional and regional levels..."*

**81.** The objective of the Regional Strategy is to attain the development of more effective actions, and that these actions are supported with more substantial

financial resources, which must be used in the most effective way possible to help overcome the conditions of land degradation, desertification and drought.

**82.** The RIFS has been conceived as a series of actions in an orderly process which will help to optimize the mobilization of financing in LAC to combat desertification and the effects of drought.

**83.** Having this RIFS is a priority requirement given the severity of the problem of desertification and drought. In addition, it will be the starting point to promote actions strengthened by an inter-institutional synergy, especially considering that since resources are scarce, they must be used efficiently and effectively.

### **1.3 Considerations**

**84.** A key feature of the RIFS is that it must consider the joint action of a regional (LAC), subregional (Mesoamerica, Caribbean, Andean and Southern subregions) and national actions, where resources can effectively be channelled to develop concrete actions of the national and local Governments.

**85.** The goal of the RIFS is to overcome the existing conditions in the land management and reversing the processes of Desertification , Land Degradation, and Drought (DLDD).

**86.** The basic considerations for proposing the RIFS are:

***First,** Governments allocate resources to contribute in different ways to mitigate the existing DLDD conditions, though not always in the desired amount or with the desired efficiency. Such assignments are governed by the policy framework of each country and are national decisions. It is necessary, therefore, to contribute to define those policies so as to encourage the contribution of resources from State and other actors;*

***Second,** the multilateral financial agencies and bilateral cooperation agencies have their own financial mechanisms and resource allocation decisions to countries, projects and actions respond to their mandate and objectives. Therefore, it is desirable to work with these agencies so that their contributions are larger and better coordinated, in order to be better utilized by the countries;*

***Third,** the United Nations Convention to Combat Desertification (UNCCD) and the GM, without prejudice to their motivation and commitment at the highest political level, have no mandate to amend the rules and procedures of Governments or international financial organizations and bilateral cooperation agencies, to ensure the Regional Strategy. However, it can facilitate the actions needed to attain a greater mobilization of*

resources and a better utilization thereof.<sup>3</sup>

**Fourth**, public and private investments needed to overcome the existing DLDD conditions, especially, in order for productive activities to internalize the principles of positive environmental management, can be financed with resources from various sources and through various mechanisms. The key is to properly design proposals so that they "qualify" to have access to these resources;

**Fifth**, it is considered that the core problem is not the availability of resources, but rather the insufficient generation of quality proposals and the inability of a management for the best use said proposals. When such proposals and conditions exist, the flow of resources in the different modalities outlined below will take place;

**Sixth**, it is necessary to take into account the relative importance of the topic in the strategies and programs of the financial agencies as well as its explicit consideration and the recognition of its explicit liaison to other program areas such as security and/or food sovereignty, poverty reduction and migration, promotion of productivity and competitiveness in the rural environment, and management of other natural resources (water, forests);

**Seventh**, the strategy must recognize, appreciate and support the work being done at national level with support of the UNCCD and the GM, because it is there where it is necessary to strengthen the capacities to develop better proposals that result in a greater allocation of resources. For example, the case of Guatemala<sup>4</sup> <sup>5</sup>. In these national efforts, the emphasis is on identifying both internal and external potential funding sources. There is less analysis of the relationship between public and private investment and such sources and mechanisms, and the issue of the quality of proposals;

**Eighth**, at the national level there is a disconnection in the policies and actions among institutions, which may be explained by the fact that the formulation of investment projects is performed by autonomous channels. In addition, there are no investment programs derived from the NAP.

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<sup>3</sup> In its Operational Document 15, the GEF establishes that: "The GM shall coordinate the mobilization of financial resources with the executing bodies and entities responsible for the implementation of GEF projects, and with other donors."

<sup>4</sup> See Government of Guatemala (2008).

<sup>5</sup> In Guatemala, the National Financing Strategy to Combat Desertification and Drought has been generated as part of an effort by the Government and supported by the GM and FAO, and it has already been approved by the Government. The Integrated Financial Strategy (IFS) has already been formalized and is part of the Environmental Strategy of the country and of the official Work Plans of the Ministry of Environment and Natural Resources. Also, there is already a ministerial agreement that gives official life to this Strategy and its implementation is being developed through the actions of the Interinstitutional Technical Group (ITG), and the National Forum for the Promotion of Sustainable Land Management, which involves around 20 institutions/national agencies related to the combat of land degradation, desertification and drought. (Source: Alan González, personal communication).

*However, in the next phase of the NAP, which will consist of its alignment with the 10-Year Strategy, the development of Integrated Investment Frameworks (IIF), to which the IFS should be associated needs to be considered;*

***Ninth**, countries must make the effort to internalize the principles of responsibility to combat drought, land degradation and desertification. The Paris conference is important as a factor of change of corporate policies and relations of governments with international cooperation agencies. **Noveno**, los países tienen que hacer el esfuerzo de internalizar los principios de la responsabilidad para combatir la sequía, la degradación de la tierra y la desertificación. La Conferencia de París es importante como un factor de cambio de las políticas corporativas y de las relaciones de los Gobiernos con las agencias de cooperación internacional.*

**87.** These preliminary considerations are taken as a basis and justification for the RIFS to be proposed, and are the result of several consultations during the preparation of this proposal.

#### **1.4 Content of the Document**

**88.** The rest of the document includes the following sections:

- a) A brief reference to the implications that existing DLDD conditions have for the Regional Strategy;
- b) A recount of the type of ongoing actions in the countries, at the subregional level, and by multilateral funding agencies. These actions must be supported in order to achieve in each country better proposals and allocate more resources;
- c) Principles and bases of the Regional Strategy to help overcome land degradation, desertification and the effects of drought by means of policies and investments. The role of financing, from various sources and methods, such as promoter of the change in the current processes of DLDD deepens;
- d) Proposal of components of the Regional Strategy (regional, subregional and national actions) to act as a "trigger" of national initiatives in the context of interagency cooperation, so as to achieve better collection and use of the financial resources required;
- e) Proposal for the organization of the Regional Strategy and operational tools, which allow to support the governmental action at the national level (and at the subregional level when conditions so demand and permit it);
- f) Resources required for the application of the RIFS to meet its objectives;
- g) Necessary conditions for its effective implementation.

**89.** Each one of the sections presented below has been prepared in an executive and concise, style in a small number of pages. Such a requirement is necessary so that the final document, already analyzed and reviewed by the Interagency Committee, can be the subject of decisions of the Forum of Ministers of Environment.

## **2. The Problems and their implications for the RIFS**

**90.** The land degradation and its relation to the conditions of drought and poverty in LAC are amply documented<sup>6</sup>. This section highlights some aspects that have implications for the Regional Strategy.

### **2.1 The problem and its context**

**91.** Desertification is defined as "land degradation in arid, semiarid and sub-humid areas resulting from various factors including climatic variations and human activities". (Text of the UNCCD). This circumstance, which is caused mostly by human activities, can be prevented, recovered and rehabilitated.

**92.** Drought is defined as "the naturally occurring phenomenon that exists when precipitation has been significantly below the normally recorded levels, causing serious hydrological imbalances that adversely affect the production systems of land resources". (Text of the UNCCD). Drought can lead to degradation.

**93.** The increasing levels of drought and desertification in the world potentiate the effects of climate change, where the regional temperature increase generates a reduction of freshwater supplies. The projection of progressive drought and desertification threatens the water supply in regions of the world where there are already shortages of this fluid, particularly in rural areas of developing countries.

**94.** This situation exacerbates the problem of food security due to the inability to maintain appropriate levels of agricultural production. It also entails other pressing problems such as forced human migration, public health threats, increase of the conflict over the use of natural resources, and the loss of habitat and biodiversity.

**95.** Land degradation is a complication that occurs in several LAC ecosystems with consequences such as salinity, water erosion and the degradation of pasturelands. It creates the decreased ability of the soil to provide ecosystem goods and services and ensure their functions within a fixed time for the users.

**96** "Land degradation costs about 40 billion dollars annually, globally, without taking into account the hidden costs of the increased fertilizer use, the loss of biodiversity and the loss of unique landscapes. (LADA).

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<sup>6</sup> See the work of Morales and Parada (2005) and Morales, Maccagno and Fernandez (2007) for an analysis of the socioeconomic impact of LDDED at the LAC level; Valda (2003) in the case of Bolivia, (2006), Alvarado (2006) for El Salvador, among others.

**97.** In the context of a global problem, the issues that directly relate to desertification and drought are limited to less than a quarter of the total area affected by degradation problems, although this varies considerably among countries (UNEP, 2008).

**98.** It should be recognized, however, that the size of the problem varies widely in each country. For example, in North Eastern Brazil, the land degradation covers an area so vast it is almost equivalent to the rest of LAC. And in the case of Haiti, it covers most of the country. In terms of relative importance in each country, the cases of Haiti, Honduras and Bolivia stand out. In other countries like Mexico, Guatemala, Nicaragua and Peru, the problem is dispersed in various regions in the country.

**99.** In the context of the LAC countries, three considerations about the DLDD in arid areas, in general, have to be made:

- The first is that the poor population who depend on these lands is, in relative terms, larger than the one located in the wet tropics;
- The second is that when this land degradation is not so severe and may be reversible, that is where you can achieve a further increase of production if corrective actions are taken;
- The third one is that it has to be made explicit that not always the solution to an DLDD problem occurs in the same geographical space, a topic that is addressed later in this document.<sup>7</sup>

**100.** This has a serious implication at the level of country level, and this is related to which areas will be receiving more attention, why, and by what measures, this being a national policy decision. Prioritizing actions according to cost, magnitude of the benefits and time in which the desired results will be achieved, should be an important consideration.

**101.** Table 1 gives an account of existing conditions. The consequences of not resolving the DLDD problem has negative conditions that encompass the economic, social and environment fields.

**Table 1.**  
**Impacts of land degradation**

<b>Scope of Impact</b>	<b>Some particular aspects</b>
<b>Climate Change</b>	Atmospheric changes, temperature and precipitation that alter the production cycles and productivity while there is an impact of land degradation on climate change
<b>Biodiversity</b>	Decline of biodiversity on land, soil and agriculture

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<sup>7</sup> For example, the problems of drought in the Pacific coast of Central America are associated with deforestation and degradation in the hillsides of the western slope. The most intense rainfall concentrated in a few hours imply the generation of runoff into the lower parts that are more violent and limited to very short periods of time. This exposes the lower parts to longer periods of low water levels (CCAD-CAC, 2008).

<b>International Waters</b>	Alteration of the levels and specific pollution, depositions
<b>Pollution</b>	Increase of organic and chemical waste
<b>Environmental Services</b>	Insufficient capability to offer them
Food safety	Systematic loss of productivity and security in the domestic supply.
Exports Major constraints to meet quality standards of safety	

Source: prepared by the author taking into account the comments in GEF (1999) and Morales and Parada (2005).

## 2.2 Multi-dimensionality of the problem

**102.** 102. This is one of the aspects that stand out the most in the literature. One problem with the multi-dimensionality of the negative effects is that no analysis is performed of what needs to be addressed / to solve what aspect / that contributes to which problem. This task is essential in order to be able to propose concrete measures.

**103.** The way in which solutions have been generated is by way of projects that are generally focused on regions within a country and on particular aspects thereof. It is recognized that there are criticisms to the projects, arguing that they do not contribute to institutionalization. However, they have proven to be effective ways to resolve specific issues in specific areas.

**104.** The drawback of addressing the multi-dimensionality of the problem by seeking practical solutions through specific projects is that –generally- institutionality is not built with a long-term view, and emphasis is conferred to the project Implementation Units.

These conditions may be amended, especially when using the new approaches of territorial development, in the logic of which various agencies converge, and which, in addition, support the local institutionality. This is an interesting alternative to review the work agendas in each country and give greater sense of belonging to local organizations.

## 2.3 More affected countries and international support

105. The magnitude of the problem in terms of affected areas and populations that suffer the consequences vary among countries and depending on the size of each one of these. Globally, in terms of geographical area and population, the most affected areas by the DLDD are Sub Equatorial Africa, Indochina, China, Russia and Australia.

106. The decision to allocate resources by international agencies, both in loans and donations, responds to their global responsibility. The topic is of absolute importance for LAC, and it is one of the motivations for commissioning this work.

107. The implications are twofold:

- **First**, if the situation is less severe in LAC than in other parts of the world, or in some LAC countries less than others in the region, one would expect the allocation of resources from international agencies, loans and donations, in relation to the contributions from the Treasury of the countries, to be lower in the countries where there is more financial capacity;
- **Second**, if the responsibility of the international organizations is of global order, one should consider where the use of such resources brings more global benefits.

## 2.4 The impact over the in situ productive capability

**108.** Over the past twenty years, land degradation in the world accentuated by at least 20 percent of the agricultural lands, 30 percent of forests and 10 percent of the pasture lands for cattle breeding. These lands are home to about 1,500 million people who use those resources in process of degradation.

**109.** At present, desertification and drought on agricultural and livestock (pasture) lands reach very high percentages, which is a sensitive situation because most of the rural income is generated in the activities established on these lands.

## 2.5 The effect of degradation and the PES

**110.** The process of land degradation and drought affect global weather conditions and increase the food and health vulnerability of those dependent on such resources (ODG, 2006). Food safety, like weather conditions, is an issue that leads to global commitments.

**111.** A recovery of degraded lands can generate positive environmental and food externalities. This would justify that some of the resources needed to achieve the recovery can be managed by entities whose interests are aligned with these purposes, as the case of GEF. This, as far as it can be ensured that such global benefits are created and maintained.<sup>8</sup>

**112.** However, it should be recognized that the severity of the degradation and, therefore, the feasibility of generating quality environmental services is very variable. In this framework, the PES system would not necessarily have to be anticipated as incomes of significant amounts for reclamation of lands in severe state of degradation.

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<sup>8</sup> See the 15 GEF Operational Programs to consider the alternatives of access to such resources [www.gef.org](http://www.gef.org) The bibliography section includes links to websites of interest.



## 2.6 Private returns to the SLM

**113.** The magnitude of the problem and the lack of implementation of practices for the Sustainable Land Management (LSM), are reflected in economic losses, lost revenue and lost opportunities for producers. These effects are variable, as are the medium-term economic implications in terms of the viability of businesses and the capitalization of premises.

**114.** Those assessments of private interest and responsibility should be embedded in the search for solutions to the problems faced by individual producers and businesses themselves.

**115.** One limitation observed in the revised literature is that there is little information showing how much a farm/company can win with better technological practices, management and investment for the LSM.<sup>9</sup> While it is necessary to show how much is lost, microeconomic information must be displayed at the level of farms, on how it can be earned, how much is the productive capacity improved, the value of a property and how mitigated can risk be, since these will be the indicators showing whether it is worth to make the change.

**116.** The strategy of mobilizing financial resources to overcome DLDD in LAC must, in addition to assessing the social and environmental implications from an aggregate perspective, also be based on microeconomic evidence of what can be achieved in terms of private returns. This would justify making the investments that are financed with loans.

## 2.7 Institutional capacity

**117.** This is an aspect scarcely highlighted when referring to DLDD and when proposing corrective actions. There is little reference to the capacity of public institutions and organizations of the civil society that must take responsibility on this issue.<sup>10</sup>

**118.** It must be recognized that government actions are the ones which, directly and indirectly, contribute to improve or worsen the situation. There is little that can be achieved without prospective vision and medium-term commitment in the farm-agricultural enterprises and private sector organizations.

**119.** This aspect is the greatest concern since, in general, in the last twenty years in LAC the abilities of medium-term planning and forecasting of events resulting from climate, economic and political instability have deteriorated.<sup>11</sup>

**120.** As a result, businesses and Governments thought, decided and acted with a short-term vision. The input-based productivity and competitiveness based on costs

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<sup>9</sup> Reports thereon can be found in the research works carried out by CATIE in Central America [www.catie.org](http://www.catie.org)

<sup>10</sup> The institutional situation in LAC is better than that found in Africa (Thompson, Kotoglou and Basu Ray, 2009). However, this should not be construed as satisfactory

<sup>11</sup> See the reports of the Latin American Center of Administration for Development (CLAD). [www.clad.org](http://www.clad.org)

has dominated the business strategies in all sectors, including agriculture and cattle breeding. Therefore, sustainability based on strategic investments and the LSM has been neglected.

**121.** In some cases, interagency cooperation is limited, which does not contribute to an effective use of the resources.<sup>12</sup> However, many initiatives in LAC should be acknowledged, especially by way of investment projects in which positive results are shown from the good LSM practices resulting from inter-institutional collaboration. These examples should be disseminated and replicated.

**122.** The abovementioned has one of the most important implications for the Regional Strategy, as this should help to invest in institutional capacity building to enable overcoming DLDD. This includes the design and implementation of better policies and projects, the knowledge of various funding opportunities globally and the requirements to access said resources.<sup>13</sup>

### **3. Current actions**

**123.** The proposal made -in later pages- to the Regional Strategy recognizes that to improve the DLDD conditions, multiple actions are already being developed by Governments, multilateral financial institutions (World Bank, GEF, IFAD, IDB, CAF, BCIE), regional cooperation agencies (FAO, IICA, CATIE) and bilateral cooperation agencies (USAID, SDC, GTZ, IDRC, DANIDA, FINIDA, AECI, SIDA, JICA, and others).

**124.** In connection with these initiatives the aspects that have been taken into account in the countries as well as the subregional cooperation activities and multilateral funding agencies stand out.

#### **3.1 Actions at the national level**

**125.** Several projects of productive, agriculture and cattle breeding, and forestry development are being generated and implemented, where environmental issues are explicit, especially the issues related to preventing land degradation and improving water use and supply.

**126.** In some cases, there is still insufficient cohesion in the proposals of these projects, which do not reflect that there has been synergy with the institutional contributions. Many times the projects are prepared by teams of external consultants hired with resources of the countries themselves or pre-investment resources, and only some participation of the technicians from the national institutions. This does not discredit the quality of the projects, but limits its appropriation by the national staff.

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<sup>12</sup> As an example, it is indicated that only in the area of the Tributary watersheds of the Gulf of Fonseca (El Salvador, Honduras and Nicaragua) by various bilateral and multilateral agencies are investing around U.S. \$ 100 million, with little coordination and articulation, and following different or similar targets, sometimes in the same geographical areas. (personal communication, Alan Gonzalez)

<sup>13</sup> For a reference on the necessary institutionality requirements see Pomareda (2008).

**127.** At the national level there is also the disadvantage of a limited synergy between the international agencies. In general, every multilateral funding agency works at the country level to "render their project concrete" and there are few cases of interagency cooperation. In some cases, national institutions have achieved to generate coordination among donor agencies. For example, in Nicaragua a Wide Sectorial Program was developed with the joint participation of multilateral and bilateral institutions to finance the operations of PRORURAL.

**128.** Cooperation between funding agencies and regional cooperation agencies for national actions is limited, with the exception of the collaboration between the World Bank and the Investment Center of FAO. However, this effort focuses primarily on African countries. There is no similar partnership among IDB, IICA and CATIE for actions in countries of LAC.

**129.** With the support of the GM of the UNCCD and FAO, the Integrated Financial Strategies (IFS) are being developed in several countries. Such is the case of Guatemala, where the IFS were already completed (Government of Guatemala, 2008).

**130.** The preparation of proposals in other countries is also under way. Later on reference will be made to these regional and subregional initiatives supported by international cooperation. Many national entities participate in the development of the IFS, while in the design of investment projects participation is more limited.

**131.** UNCCD's Focal Points (FP) in the LAC countries should be provided with more influence, so that they can promote a coordinated action among the bodies with responsibilities in the resolution of DLDD problems and, in particular, in the development of investment projects.

### **3.2 Subregional cooperation actions**

**132.** There are also subregional technical cooperation activities being carried out in order to contribute to the increase of the political commitments in each country as well as to the increase of capacity building in the public sector and civil society to overcome DLDD.

**133.** No regional investment projects with external funds have materialized, since the external debt is based on national projects.

**134.** At the subregions level, in 2008 in Central America an action proposal generated in pursuit of common policies for the agriculture and the environment called Agro-environmental Regional and Health Strategy (ERAS).<sup>14</sup> The ERAS is in the process of developing the regional strategic investment program, based on the implementation of the Central American Platform for the Promotion of Investments in Sustainable Land Management (PIMAST). This strategy proposes several policy measures, including those that directly or indirectly could contribute to the recovery of degraded lands and to the improvement of water availability.

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<sup>14</sup> The latter is an intersectorial strategy (agriculture, environment and health), which was approved by the Intersectorial Forum of Ministers and the Central American Presidential Summit. Both are in process of attracting resources for cooperation activities at the subregional level.

**135.** In the case of MERCOSUR, a strategy proposal was submitted to the First Ordinary Meeting of the Ad Hoc Group on Combat against Desertification and Drought held in Panama in July 2006. It was approved by the Ministers of Environment of MERCOSUR in 2008.

**136.** A workshop was also conducted to develop IFS proposals in the MERCOSUR member countries in April 2009, in Montevideo, Uruguay.

**137.** The design of IFS, with support of the GM, has been developed in some countries (Guatemala, Honduras, and Argentina - Alliance for the Mobilization of Financial Resources). In addition, IFS are under development in Peru and Ecuador.

**138.** Similarly, the Regional PCT/FAO Project "Institutional Strengthening for the Financial Management in Sustainable Land Management" was also approved, which will allow for the development of IFS in the remaining countries (Belize, Costa Rica, El Salvador, Nicaragua, Panama and the Dominican Republic) and to supporting the implementation in the countries which already have them or in which they are in process.

**139.** As with the subregional experience of PIMAST and the subregional support for the regional courses (Mesoamerica, the Andes and Mercosur), other investment promotion platforms are in the design process (PISLM and MERCOSUR).

**140.** In the framework of the PIMAST / ERAS, in Central America the Strategic Planning Workshops for the Promotion of Investments are being carried out, with the participation of high level delegates from the Ministries of environment, agriculture and health as well as the Focal Points of desertification and drought and climate change.

**141.** The Tropical Agronomical Research and Education Center (CATIE) for several years has been developing research, training and technical support activities on the issue of recovery of degraded lands.

**142.** However, due to the nature of CATIE's purview, the actions do not fall in areas where water scarcity is extreme, especially in Central America. It is to be expected that within the context of the Mesoamerican Program (MAP), to be implemented with the support from Norway, Sweden and Finland, more attention is paid to the issue of DLDD in the dry tropics.

### **3.3 Hemispheric cooperation actions**

**143.** Subregional cooperation actions do not occur in isolation from efforts at the LAC and globally. It is necessary to refer to the instruments of implementation of the Convention in the region, under the responsibility of the Secretariat of the UNCCD and the GM.

**144.** There is the Regional Action Program (RAP), which update and alignment with the 10-Year Strategy is scheduled for 2010.

**145.** There are also Subregional Action Programs (SAP):

- PAS Chaco, which is already operating;
- PAS Puna, in the process of activation;
- PAS Mesoamerica, in the process of formulation;

- PAS-binational / Colombia-Venezuela, already formulated and pending release;
- PAS MERCOSUR, already proposed.

**146.** Finally, MERCOSUR is the strategy that was endorsed by Environment Ministers with ongoing activities and the experience of the DR-Haiti PANFRO gestation. Finalmente, está la Estrategia MERCOSUR, que fue endosada por los Ministros de Medio Ambiente con actividades en marcha; y la experiencia del PANFRO RD-Haití en gestación.

**147.** As part of the implementation of the UNCCD, the GM is promoting training and development activities of the IFS, and the initiative for investment promotion platforms in LSM.

### **3.4 Support of the multilateral financing agencies**

**148.** The multilateral financial agencies have been supporting a package of countries to overcome DLDD. They also have programs for subregional and regional cooperation. Their support for the commitments under the UNCCD would have been one of the factors to consider in their decisions.

**149.** Hereunder, we provide a summary of the main contributions of the agencies with the largest participation, the World Bank, GEF, IFAD and the IDB. The amount of resources specifically aimed at overcoming DLDD from the subregional banks (CAF, BCIE) has not been able to be documented.

**150. World Bank.** Table 2 summarizes the lending operations of the World Bank between 1990 and 2008, both in investment and structural adjustment instruments.<sup>15</sup> It shows that in total loans for agriculture and rural development and environmental issues, LAC received about 30 percent of the amounts.

**151.** In the case of loans for agriculture and rural development, this represented only 1.47 percent of the total borrowed by the region. Taking into account the amounts borrowed by LAC for agriculture, forestry and fisheries, the total of U.S. \$ 5.057 million would have represented half of one percent of the total.

**152.** The projects implemented have generated valuable experiences in relation to methods of reclamation of salinified land, reforestation in arid and semi-arid zones, irrigation and drainage practices, etcetera. In most of these, the component of technological innovation has been significant.

**Table 2.**  
**Amount of World Bank loans, total and for LAC, and for Agriculture and Rural Development (ARD) and Environmental Affairs and Natural Resource Management (ENRM) 1990 to 2008 (billions of U.S. dollars)**

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<sup>15</sup> Of the 36 areas in which the contributions are distributed, Agriculture and Rural Development is one of them. And within this area 24 sub-areas are distinguished.

Region	Total	ENRM	ARD
<b>Total</b>	275.926	30.575	<b>24.409</b>
<b>LAC</b>	95.983	7.698	<b>7.474</b>
<b>Others</b>	<b>179.943</b>	<b>20.877</b>	<b>16.935</b>

Source: *World Bank Tables*

**153. Global Environmental Fund (GEF).** It has 15 operational programs through which it provides loan resources to the countries, the OP-15 is the Sustainable Land Management (degraded land), incorporated by an agreement in the Assembly of Beijing in 2002.

**154.** Between 2000 and 2008, GEF donated resources for 664 projects of more of a million dollars for a total amount of US\$ 144 billion, which also counted with cofinancing from other agencies in a sum four times higher than the aforementioned amount. Out of these projects, 49 were on land degradation, for a total of 350 million. Out of this total, 31.6 million went to six countries in LAC. Brazil received 42 percent of the resources. GEF also contributed funding via the Small Grants Program, which has focused on local initiatives.

**155.** The agreement among GEF and the multilateral financial agencies and the regional agencies facilitates that the environmental issues, including land degradation and drought, are made explicit in public investment projects. In these cases, the contributions from GEF to assist with the proper performance of the projects are provided in non-reimbursable funds, concurrent with the generation of universal environmental benefits. They are also complementary to the financing of loans and technical cooperation from other agencies.<sup>16</sup>

**156. International Fund for Agricultural Development (IFAD).** It is the international organization best identified with the financing of investment projects in arid zones and where the population is predominantly poor.

**157.** Between 1995 and 2005, the IFAD financed projects totaling 3.500 million (GEF-IFAD, 2005). This includes roads and rural markets, technology and agricultural credit and rural education. Project financing in LAC between 1990 and 2005 has been of US\$ 645 million in 51 projects (IFAD, 2000).

**158. Inter-American Development Bank (IDB).** Between 2000 and 2008, the IDB funded in LAC a total of 286 projects in agriculture for a total of 2.767 million dollars, which -added to the contribution from regular budget resources of the countries- amounts to US\$ 4.632 million.

**159** Out of the total financed by the IDB, three countries (Mexico, Brazil and Peru) captured 41.7 percent. The most significant contributions were for irrigation and drainage, rural roads and technological innovation and competitiveness. No information is available on the percentage of resources devoted to combating DLDD.

<sup>16</sup> With this arrangement, between 1999 and 2009, the following projects were implemented in LAC: Argentina with the IFAD (GEF = U.S. \$ 5.5 million co-financing = U.S. \$ 26.6 million), Argentina, Paraguay and Bolivia with UNEP, OAS and GTZ (GEF = 6.5, co-financing = 8.0); Brazil IFAD (GEF = 06.24, co-financing = 9.22); Venezuela with the IFAD and UBDP (GEF = 5.33, co-financing 24.3), among others.

**160.** To estimate the historical financial flows that have flowed into the fight against desertification and the LSM, the GM has been developing a methodology for analyzing portfolios of funding agencies, based on the Rio markers. The methodology has already been applied to the case of the IFAD and it is about to commence with the World Bank for its operations in Africa.<sup>17</sup>

### **3.5 The evident vacuum: the institutional weakness**

**161.** The failure to recognize the problem of DLDD is one of the most critical issues confronted in LAC. To the abovementioned we must add the lack of targeting and the way each entity and each technician interpret the concepts. For example, what is understood in the different instances by land degradation? How much awareness is there on the severity of the problem and the serious consequences of failing to address it? What are the components of the investment for combating land degradation and mitigating the effects of drought?

**162.** The most obvious gap seen in the region is the institutional capacity and the interinstitutional collaboration. On one hand, in each country the institutions interested in the subject are many, but cooperation among them is almost nil. Moreover, in several cases there are frictions and competition for resources.

**163.** The issue of insufficient public investment and quality is one of the main gaps resulting from the institutional weaknesses.

**164.** At the level of each country level, the national authorities, interested in the internal and external resources, do not encourage cooperation among international agencies. And finally, for the implementation of the projects, funding agencies and governments have resorted to the Executing Units. While all these elude the institutionality, they have been ways to achieve the goals and objectives of the projects. This issue must be addressed at the national level by materializing the commitments of the Paris Conference with the Ministries of Foreign Affairs, particularly by the national agencies for international cooperation.

**165.** GEF emphasizes that "the countries have encountered problems in developing operational plans to prevent and combat land degradation due to the difficulties in defining the links between land degradation and the areas of activity, and in the application of the incremental cost principle. Another obstacle has been the lack of national policies to prevent and combat land degradation. (GEF, 2003).

**166.** Among the expected results of the LSM activities supported by GEF there is, among others, "the development of institutional capacity and human resources to improve the planning and implementation of Sustainable Land Management in order to achieve benefits for the global environment in the context of sustainable development and the strengthening of the policy framework, regulations and economic incentives "...

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<sup>17</sup> This RIFS proposal might include among its conclusions / recommendations, the portfolio analysis of bank investments in LAC. This leads to question about what actions to take to promote an increase and better targeting of the financial flows from the international agencies to the countries. This issue is addressed in the final section of the proposal.

## 4. Principles and basis of the Regional Strategy

### 4.1 The three basic principles

**167. Synergy to increase the flow of resources.** This is the fundamental principle of the RIFS. The financial flows to a country and the national contributions do not respond to a regional proposal, but rather to the conditions in each country and to the measures taken to contribute with domestic resources and attract external resources. However, it is possible to develop a set of regional actions that help the flow of resources to each country to be larger.

**168.** The Regional Strategy has been designed to include common elements that allow a regional approach and coordinated actions, and not the dispersion of differentiated efforts both within individual countries and subregions. That is, the aim is to develop actions that within a common framework will allow increasing the financial flows and ensuring their best use.

**169. Trigger Model.** The second principle is that the proposal of the Regional Strategy should serve as a trigger or a trigger of processes (triggering effect). That is, their approach reflects the need to develop regional and subregional cooperation actions aimed at strengthening the operational base in each country, enabling the capture and use of existing funding mechanisms to address the problem of DLDD. These aspects are discussed below and form the basis of the RIFS.

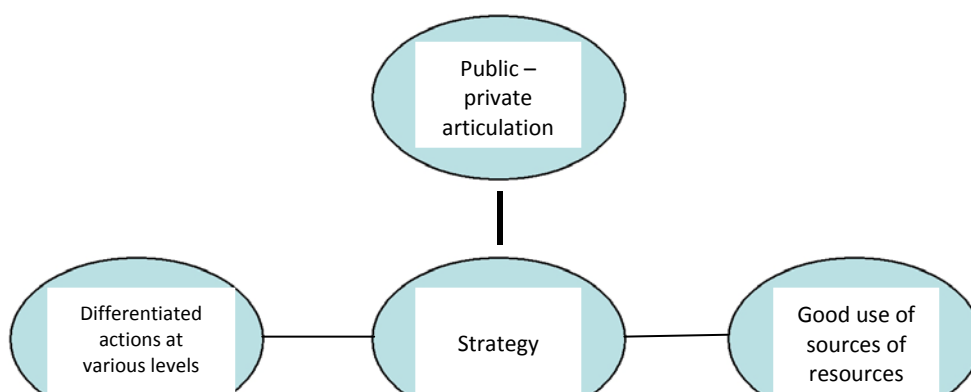
**170. Solid operational base.** The third main principle is to acknowledge the elements of a better operational base in each country. These are: the quality of human resources, the organization for effective action, the availability of financial resources, the rules for efficient and non-bureaucratic action and the effective collaboration among institutions whose mandate requires acting with synergy.

**171.** Once these three principles recognized, we mention hereunder the basic elements that, specifically, should set the framework for the RIFS:

- Differentiated actions at various levels;
- Comprehensive approach to public and private investment;
- Prioritization of activities, policies and institutional capacity;
- Identification of sources and financing modalities;

**172.** The RIFS must be built on the four pillars which are summarized in Figure.

**Figure 1.**  
**Foundations of the Regional Strategy**







## 4.2 Differentiated actions at various levels

**173.** For the development of the Regional Strategy, it should be considered that differentiated, but complementary actions need to be developed at the level of each country, in the subregions and in LAC. Local actions must then be added to this, as defined in each country's respective NAP. Their approach should be done in the context of the exercise of alignment with the 10-year strategy that is newly starting.

**174.** The actions should be organized into four levels at which institutional actors have clear responsibilities. Although each level has its own objectives, there should be synergy among all actions so as to maximize and take advantage of each of the elements so that the result of their integration can be greater than the sum of each aggregate.

- a) **Local level.** The main actors are the municipalities. However, in several countries, there are state, regional and departmental governments that generate important resources that can be allocated to initiatives to change the DLDD situation in their territories;
- b) **National level.** The Ministries (or Departments) of Planning, Agriculture, Rural Development, Environment and Economy / Finance, are the bodies responsible for national policies and, in the case of Finance, are most influential in the allocation of financial resources. The synergistic action between these Ministries is essential for the allocation of resources from the national and external debt budgets;
- c) **Sub-regional level.** There are no allocations for regional investment projects. However, it is necessary to differentiate the contribution of financial bodies such as the CAF, BCIE, and political bodies such as MERCOSUR, CAN, CCAD, CAC and CARICOM. In addition to the participation of research, education and technical cooperation organizations as EARTH, CATIE and CARDI;
- d) **Level of Latin America and the Caribbean.** The organizations with

possibility of participating in a cooperative hemispheric initiative include ECLAC and IICA with technical assistance. IDB with funding and, of course, complementing actions developed in the region by the international agencies such as UNDP, UNEP, FAO, IFAD, the World Bank and GEF.

**175.** Each organization at every level can contribute in the framework of its mandate and powers.<sup>18</sup> Each one of them can contribute to different objectives. Table 3 provides a framework for the definition of actions, where the number of x denotes the intensity of the actions.

**Table 3.**  
**Importance of actions at each level**

Objective	Local	National	Subregional	LAC
Awareness-Raising	Xx	xxx	Xx	xxx
Definition of Policies	X	xxxx	Xxx	X
Alignment of the NAP and Working Programs <sup>19</sup>	Xxx	xxx	X	X
Implementation	Xxxx	xxxx	X	X

Source: developed by the author

**176.** The actions to be developed by the different agencies should be coordinated, so that everyone operates with the highest comparative advantage and in a spirit of collaboration.

**177.** Actions that the institutions should consider:

- a) **Awareness-raising** to generate positive attitudes in society, enterprises and governments is the central task to further change. While it is a responsibility at all levels, given the wide-scale media available, it would be expected for this task to be performed especially at the level of each country and at the level of Latin America;
- b) **The definition of policies** is a national task. At the regional level there has been progress in Central America in the framework of the PACA, as in MERCOSUR. However, in both cases the measures have been better defined and accepted in relation to trade and health;
- c) **Alignment of the NAP and Working Programs** is a national responsibility,

<sup>18</sup> Although the actions defined at each level should be addressed as part of a Regional Strategy, these actions must be taken or already have been, under the Regional, Subregional and National Action Programs, with a greater role of the UNCCD Secretariat than the role that corresponds to the GM

<sup>19</sup> Which should be put through by means of the planning, preparation, funding obtaining and implementation of projects with tangible results, and which impact can be measured with specific indicators.

as are the development and negotiation of the projects;

- d) **The implementation of policies and projects** is done at national and local level. Activities are already being developed to support the National Integrated Financial Strategies. However, it has considered necessary to suggest complementary actions that enrich the products achieved. These minor adjustments will enable that the subregional action and the action at the level of LAC become more effective in the channeling and use of resources to combat DLDD.

**178.** CLARIFICATION. Recognizing that differentiated measures are needed at four levels, the proposal of the RIFS includes only actions in LAC, the sub-regions and at national level (and not at a local level) aiming at high synergy at all three levels.

### **4.3 Integral approach of the public and private investment**

**179.** The strategy is based on the recognition that to overcome the DLDD conditions requires both public and private investment.

**180.** According to what the UNCCD Ten-Year Strategy points at, from the National Action Programs Integrated Investment Frameworks (IIF) need to arise. The GM, who exercises a role in this area, postulates that the IFS are a tool which, while serving to identify funding alternatives of said framework, can contribute to its definition.

**181.** These investments must be planned explicitly recognizing the interaction and complementarity between public and private investment. This consideration is rarely made explicit.

**182.** In the design of projects and policies it should be demanded that an answer is provided to the following question: to what extent each action that is included in the project will help bring private investment? Understanding this private investment as the one made by agricultural producers from all levels, the agribusiness and other businesses located in rural areas.

**183.** As part of their commitment to social and environmental responsibility, the contributions of companies should be included as private investment and should become increasingly significant.

**184.** It is also necessary to recognize the different modes of financing to support the investments in each case. In this regard, as discussed below, there are many alternatives of both sources and mechanisms. It is therefore essential to know what source to turn to for each type of initiative, whether public or private.

### **4.4 Actions prioritization and effective demand of resources**

**185.** From the standpoint of the existing DLDD problem in each country, it is possible to differentiate three stages:

1. Severe and difficult to reverse deterioration;
2. Substantive damage with low economic returns, but feasible to improve;

3. Economically profitable, but at risk of not being sustainable.

**186. A severe and difficult to reverse situation** is one in which it does not make sense to develop productive activities. The first scenario corresponds to the concept of *socio-economic desert*, where the loss of productivity has reached a point in which the land can no longer sustain economic, or commercial or subsistence activities, which fortunately is not a condition too widespread.

**187.** Such conditions exist when there are extreme losses of arable land, lack of water sources or soils with very advanced salinization, among other possible conditions to be found. The Payment for Environmental Services (PES) in these areas is not a viable alternative, to the extent in which they do not render such services. The population transfer is one of the means, but its political feasibility must be carefully analyzed.

**188. A substantive damage situation and low economic returns, feasible to improve,** is one in which agriculture, forestry and animal husbandry are developed, but with low productivities that can be improved. The erosion on slopes, the partially degraded soils, the prolonged drought, the salinization, and the partial deforestation are the most common characteristics. A better soil management to ensure availability of water is required, and to this end it is necessary to resort to the public and private investment.

**189. Economically profitable activities, but at risk of not being sustainable** are increasingly common. Although the damage is little noticed, the land degradation progresses silently. This is one of the biggest concerns, because in these lands is where it an important part of the agricultural production is taking place. In addition, it is to be expected that in the immediate future in these lands great pressure is placed for food production and the generation of work places that allow improving the living conditions in rural areas. Good practices and private investment are the means to achieve sustainability, in this case.

**190.** In all three scenarios is should be expected that public investment plays a distinct role, for which it should be assigned to different objectives.

**191.** In the first case, the allocations of public resources should be targeted toward reforestation programs and creating opportunities in other territories for those now living in these areas without alternative. One factor to take into account concerning rural - urban migrations is that those who migrate are the most able members of the families living in these severely damaged areas.

**192.** In the second case, public investments would have to include, for example, irrigation and drainage works to make it possible to recover degraded soils and improve water availability. As areas regenerate and their capacity for the generation of environmental services becomes greater, the PES mechanism should be an option in the allocation of resources.

**193.** In the third case, public resources should be directed to education, technical assistance and raising awareness among producers, who must learn about best practices to prevent land degradation. The PES can be an appropriate instrument, as it delivery becomes apparent.

**194.** Furthermore, it is expected that as we move towards the third stage, mainly in agriculture and intensive farming, private investment should be increasingly important. Advantage can be taken of the prevailing interest of all private stakeholders (companies and producers) in making the necessary investments in their farms to prevent land degradation and to ensure water supply, especially during critical periods. The sale of environmental services should be a motivation for the private investments.

**195.** The use of regulatory instruments and incentives is an important option both to induce sustainable practices as to discourage others. In the production process, there are associated externalities or the condition of public good (in the economic sense), which can only be realized by way of instruments such as the aforementioned. The PES can be considered among the incentive instruments. In fact, in several countries of the region several instruments are applied with varying degrees of success.<sup>20</sup>

#### **4.5 Sources of identification and use and funding modalities**

**196.** Public assistance and private investments are financed under different conditions, depending on the nature of the requirements and benefits generated. Alternatives may include:

- a) **Public budget funds.** These resources are usually allocated to public spending, which covers staff costs and general services that allow offering technical assistance and training. In some cases, these public resources are fed by proceeds from the sale of utilities, including water management, payment of subsidies to the conservation, development of plantations with native species and forest management, and harvest programs for basic nutrition;
- b) **Funds from oil and tourism taxes.** These resources are used in some countries to support reforestation and encourage the provision of environmental services associated with good agricultural and cattle breeding practices. In several countries, the concept of *Petroleum Canon and Mining Canon* is already used to generate local funds (cases of Peru and Chile);
- c) **Public funds from external indebtedness.** These resources are usually allocated to public investment in irrigation and drainage works, and in some cases to strengthen the agricultural credit programs. Their amortization usually occurs in periods of five to twenty years. The major source has been the multilateral banks, in different forms;
- d) **Funds from bilateral cooperation agencies grants.** These resources are allocated via competitive grants, which are usually aimed at technical assistance and strengthening of micro-credit programs via the creation of revolving funds. In some cases used for PES in small-scale farms;
- e) **Multilateral agencies non-refundable cooperation funds,** usually associated with credit and with pre-investment purposes;
- f) **GEF Resources.** The resources available in various forms, such as the PO-

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<sup>20</sup> For example, Uruguay has direct regulatory instruments (Land Law, Law on Land Management), and in Chile there are several development tools associated with the conservation of land and forests, plantations and irrigation.

15 on degraded lands, are intended in part for the PES. For several years they have been included in investment projects financed by international organizations (WB, IDB, etc.) to pay for positive environmental externalities in such projects. There is the Small Grants Program from the GEF, administered by UNDP and with years of experience in countries like Chile, Peru, Honduras and Panama. In Chile it is aimed at projects on desertification;

- g) **Bank credit.** These resources may be from the state-owned banks or the private banks. This is one of the most common ways of private investments financing in agriculture, while the share going to investments to reverse DLDD is very small;
- h) **Reinvestment of tax exemptions.** Several countries have used this mechanism to stimulate private investment in agriculture.

**197.** Because there are so many alternative sources of resources, we must also consider other funds such as those associated with climate change such as the Clean Development Mechanism (CDM), in addition to voluntary funds that offer investment opportunities in LSM. Similarly, the Fund for the Adaptation to Climate Change is also about to begin operating, established in the scope of the United Nations Framework Convention on Climate Change (UNFCCC) to be administered by GEF.

**198.** Table 4 illustrates the link between resource use alternatives (columns) and the sources of resources (rows). The P or R indicate that the emphasis in each case is public (P) or private (Pr) action. It can be seen that as one moves to the right and down, the contribution of private investment is expected to be more significant.

**Table 4.**  
**Illustration of the interaction of demand and supply of resources**

<b>Components</b>	<b>Severe deterioration difficult to reverse</b>	<b>With low economic returns, feasible to improve</b>	<b>Economically profitable, but in risk of not being sustainable</b>
<b>Public budget funds</b>	PPP	PP/PrPr	<b>P/PrPr</b>
<b>Funds from oil and tourism taxes</b>		PPP	<b>P/Pr</b>
<b>Public Funds from external indebtedness</b>		PPP	<b>P</b>
<b>Funds from grants</b>	PPP	PP	<b>P</b>
<b>Non-reimbursable cooperation funds</b>		PP	<b>PP</b>
<b>GEF resources</b>		P/PrPr	<b>P/PrPr</b>
<b>Bank credit</b>		PrPr	<b>PrPrPr</b>
<b>Reinvestment of</b>		<b>PrPr</b>	<b>PrPrPr</b>

**tax exemptions**

Source: developed by the author.

**199.** There are many sources of resources and associated mechanisms, which can be used to finance public interventions and private initiatives. These mechanisms have been used in different ways in the countries of the region and can be extrapolated to other countries. But we must recognize that legislation and the financial system in each country are different, thus determining the applicability of certain mechanisms.

**200.** It should also be noted that the degree of macroeconomic soundness and the capacity of the financial system are critical to the possibility of external indebtedness in a certain scale, as well as the possibility of use for certain purposes, including those projects that directly contribute to DLDD.<sup>21</sup> The image of a country is and has been a factor in attracting private investment both domestic and foreign.<sup>22</sup>

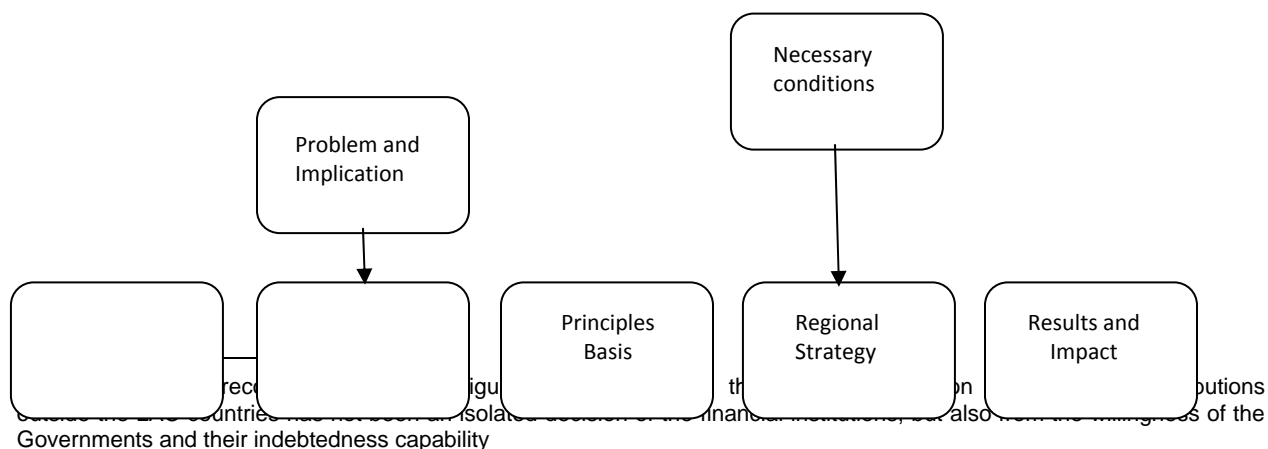
**201.** The Regional Strategy should promote information, training and advice to Governments and private sector organizations, to improve their ability to raise external resources that contribute to overcoming DLDD.

**5. Components of the Regional Strategy**

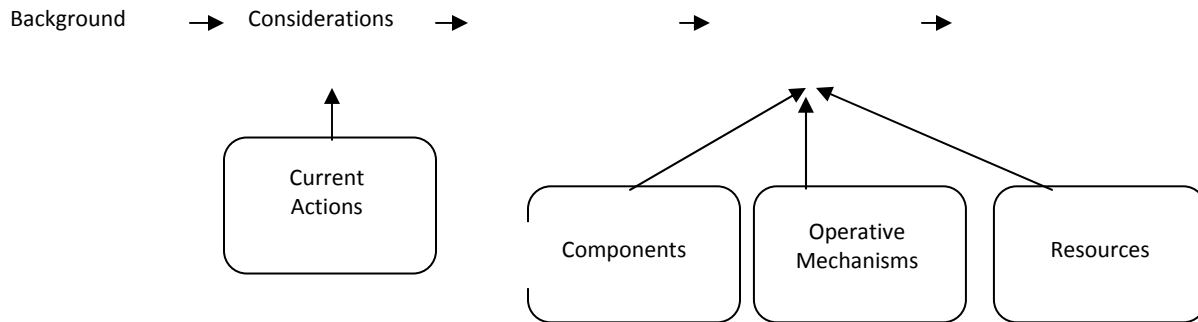
**5.1 General Aspects**

**202.** Figure 2 outlines the elements that are forging the RIFS proposal, including the considerations presented to this point, and the components, operational aspects and conditions necessary for its successful implementation.

**Figure 2.  
Scheme of the Regional Strategy**



<sup>22</sup> The contrast between the conditions in Costa Rica and the other Central American countries explains, for example, that this country attracted between 1995 and 2007, fifty percent of foreign private investment, while the other four drew eighty percent of donations (State of the Region, 2008).



**203.** Once established the Principles and Basis for the Regional Strategy, the following are the three components or activities to be implemented. It is considered that regional and subregional activities, including the participation of the multilateral financial institutions and technical cooperation bodies, must have a triggering effect of national actions by way of policies, the respective resource mobilization and institutional capacity building. This has been referred to as the *trigger* effect.

**204.** Regional cooperation should not be involved in national activities for the development of project or efforts for the mobilization of resources, but rather concentrate on advancing the trigger effect by way of motivation and the development of personal and institutional capacities. The sections that follow give account of the actions-results expected to such an end.

## 5.2 Alignment of the policy measures

**205.** The policies of a country are rules to guide the public investment, and encourage and support the private investment so that it incorporates specific goals for reducing DLDD. The general rules are carried out by means of measures or policy instruments. The options are many and the experience of countries is very diverse in terms of the effectiveness of alternative measures. The possibility to consider lessons learned should be given attention in the framework of regional cooperation.

**206.** Since this is a multidimensional problem, harmonization of policy instruments is unavoidable, since it is difficult that a single policy instrument allows for the attainment of satisfactory solutions. This requires dialogue and coordination among institutional actors. Experience shows that such mechanisms are more effective at the local level, especially when a local actor has the summoning capacity, the clarity of objectives and any resources additional to the ones of the national entities.

**207.** In connection with the implementation of policies, a critical factor is the institutional capacity necessary for its instrumentation, including planning and action. It is essential to ensure that Governments assume and fulfill their commitment of resource allocation.



**208.** Among the measures to be taken to mitigate and reduce the risks of land degradation and drought we find:

- To fostering a positive attitude toward the recovery of degraded lands;
- To influence government agencies and local governments to incorporate the principles of DLDD management and allocate more resources for these purposes;
- To generate and disseminate technologies and best practices that result in an improvement of the DLDD conditions;
- To subsidize the activities that allow overcoming the DLDD, within what is allowed according to the commitments found in the WTO Green Box.

**209.** Nationally, the policy proposals stand out because it is deemed that it is in there where the decisions of most importance to overcome DLDD are defined and implemented. This does not prevent having regional actions to coordinate certain policies.<sup>23</sup>

### **5.3 Integrated Investment Frameworks (IIF)**

**210.** To mobilize more financial resources toward solving the DLDD problems, it is necessary to generate better proposals from the public and private investments. The actions to be developed in the framework of the Regional Strategy should be explicitly directed towards this end.

**211.** This should be associated to the concept of Integrated Investment Framework (IIF) which is stated in UNCCD's Ten-Year Strategy, with which the NAP should be aligned. Countries that succeed in aligning their NAP, a process that is virtually an upgrade, should end with an investment program or Integrated Financial Strategy (IFS) that considers the issues regarding DLDD and LSM.

**212.** In the exercise of an IFS, the GM would also commit to contributing to the preparation of the IIF. Thus, without an EFIR, work would already start on some of its elements. Thus, the EFIR should incorporate this consideration and include the concepts of the IFS and the IIF in the actions at the national level. You must be careful to consistently associate the concepts of IFS and IIF.

### **5.4 Strengthening of the operational base in each country**

**213.** The national institutions must be able to:

- a) Generate project proposals supported in the nature of the degradation process, and considering the current conditions and possible mitigation measures within the IIF at the national level;
- b) Minimize the development of individual or independent projects, but rather

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<sup>23</sup> It should be recognized that regional and subregional policies have been achieved with reasonable effectiveness in the areas of trade and health. There is some progress in policies regarding the functioning of the banking system, but in other fields, to achieve common policies does not seem feasible, given the limited interest of countries to submit their policies to entities of a subregional or regional level. For example, in the case of the Central American Agricultural Policy (PACA) over thirty proposals are included for regional cooperation activities that contribute to a harmonization of national policies and their coordination, but they are not regional policies.

prioritize in the design of a national investment program as a platform for designing and implementing investments at the national level, that are harmonized and aligned on the issue of LSM;

- c) Influence the policy measures that contribute to the allocation of public, private and foreign resources toward initiatives that allow overcoming DLDD while increasing productivity and competitiveness in the long term. It is necessary to bear in mind the need to harmonize effective instruments and avoid those that overlap or duplicate, that result in incentives with opposite effects, that are confusing or leave gaps in the implementation regulations;
- d) Contribute to the strengthening of the institutional capacity for the effective instrumentation of policies and projects, with special attention to the role of the Focal Points and their effective interaction with peer instances in the Ministries of Agriculture, Economy and Planning. The IFS and other complementary workshops would be the means to that end;
- e) Encourage very explicitly the linkage between the public and private investment as well as the generation of public and private returns.

**214.** Achieving the development of the institutional capacity demands for the improvement of:

- a) **The quality of human resources.** It is considered to be essential to strengthen the capacity of organizations, which requires training and motivation, but also higher wages, an issue of high concern in the public sector entities;
- b) **The organization for effective action.** It is increasingly necessary, especially to overcome the traditional bureaucratic structures in which the demarcation of responsibilities and the evaluation of action-outcome relationships are not feasible;
- c) **The availability of financial resources in public agencies and private sector organizations.** This must be by way of adequate budgetary allocations and through commitment to the disbursement of funds. In the case of private sector organizations (chambers, associations and unions), the self-duties that reflect the willingness of producers to commit to common goals are required;
- d) **The regulation for the efficient and non-bureaucratic action** is possibly the most important aspect, since the countries, with few exceptions, have their institutions tied because of laws and bureaucratic red tape;
- e) **The effective collaboration between entities that have a common mandate.**

The entities require synergy, so that in working jointly, they can achieve this additional effect which is the multiplication of the individual energies. Given the nature of the DLDD problems and the necessary actions, interinstitutional coordination is key, as is the respect vis-à-vis the responsibilities of the parties.

**215.** The regional cooperation actions should contribute so that each country recognizes that the existence of certain conditions, and how they have evolved, determine the policies that need to be followed to change course. The policy

measure to be adopted is usually associated with a type of public investment and in some cases it must be the inducer of private investments.

**216.** It is necessary to draw on the experiences of the countries to illustrate that policy measures can contribute to the development of a sequential process that includes changes in attitudes, knowledge acquisition, technology adoption, investment in infrastructure and productive investment (crops, livestock, and forestry).

**217.** This implies a demand for funding. If the benefits of the actions are capitalized by the investor (producer) there is no reason to expect a financial subsidy. But if in addition to that benefits for the society are generated (positive externalities), financial subsidies would be justified, for which there are various forms depending on the nature of the externality generated. This topic is elaborated on in the next section.

## **6. Operative Aspects for the Implementation of the RIFS**

**218.** This section presents the regional and subregional programs which embrace the set of actions that could be developed as part of the RIFS and the organization necessary for its implementation.

### **6.1 Instruments for regional and subregional actions**

**219.** The regional and subregional action will be developed from three programs.

**220. Information Program.** A system will be implemented that, via an information portal, should answer inquiries about funding sources, funding opportunities, mobilization mechanisms and successful experiences in the region. Links to international financial organizations and the Ministries of Agriculture, Environment and Economy / Finance should be an important part of the system. Its permanent updating is essential, for which the commitment of all parties is necessary.<sup>24</sup>

**221. Training Program.** This program should focus on the basic aspects to prepare better projects for the internalization in the projects of GEF criteria for considering the relationship between design and management of public projects and private investment, etc. The experiences of the countries in this field should be capitalized so that horizontal cooperation becomes a useful tool. The use of teleconferencing and partnerships with specialized national institutions will also be promoted.

**222. Political Awareness Program.** It will be oriented towards potentiating focus on the role of the Ministers of Environment, who have identified and committed to the goals of solving the DLDD problems. The program will facilitate national and regional dialogue among the Ministers of Environment and other ministers whose

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<sup>24</sup> It must be noted that the GM has already developed, as part of its mandate, an information tool for these purposes, the *Financial Information Engine for Land Degradation* (FIELD), which is global, and probably needs updating.

actions are essential for the generation of better proposals and for the allocation of financial resources.

## 6.2 Typology of the actions

**223.** The actions to be considered within the three programs are:

- a) To propose criteria to improve the quality of proposals and achieve optimal resource allocation;
- b) To highlight the characteristics which national action proposals should have, especially in terms of local action instruments, results generated, impacts, institutionality requirements and counterpart resources;
- c) To provide suggestions for the fundraising. Submit the most appropriate modalities to present proposals to the international bodies that represent alternative sources, according to the objectives and action levels, including contributions from donations, special funds, etc.;
- d) To provide criteria in order to achieve institutional synergy. Proposals should include objectives and actions towards reducing the effects of DLDD, in projects of agriculture, cattle-breeding and rural development for external funding;
- e) To provide support to obtain investment financing for national projects, by international financial institutions (WB, IDB, IFAD, CAF, BCIE, CBD);
- f) To recommend ways of working with specialized agencies in agriculture and rural development at the regional level (FAO, IICA) for the development of projects;
- g) To generate proposals for mobilizing domestic resources to national and local (municipal) projects, with contributions from the private sector, national banks, etc. committed to the goals of reducing DLDD;
- h) To develop proposals for the capitalization of the funds collected. Recommendations on alternative means will be provided depending on the conditions under which contributors provide the resources;
- i) To develop mechanisms to monitor and evaluate the results in order to assess the implementation, achievement of intermediate results and to have an accountability mechanism in each country.

## 6.3 The operation mechanism of the RIFS

**224.** The operation mechanism of the RIFS is proposed as a *Facility* or body that stimulates the relationship among agencies at regional, subregional and national levels.

**225.** The *Facility* concept refers to the basic operational unit that should manage the actions that will be developed. It is not *Facility* of a financial nature.

**226.** OBSERVATION. For the RIFS to be implemented with the participation of international agencies of technical and financial cooperation, it is desirable that one of these establishes a small unit responsible for the programs and actions in each program.

**227.** Options need to be considered in the framework of the ITC, taking into account some desirable qualities such as:

- Their influence on the policies needed for each country to implement the NAP;
- Ability to convene entities from various sectors, among these, agriculture, environment and rural development and the financial sector authorities;
- Having experience in facilitating interagency efforts and in the management of financial resources.

**228.** Another suggestion is that technical cooperation agencies create a Technical Secretariat.

**229.** At the level of the LAC region as a whole, it will facilitate the achievement of commitments to better comply with existing agreements in the framework of the UNCCD. In particular, so that agencies provide additional resources to combat DLDD.

**230.** At the level of subregions, the cooperation of subregional cooperation entities will be facilitated to comply with an effective technical cooperation function, particularly in the areas of information and training.

**231.** Nationally, the emphasis will be placed on capacity building in national institutions, and particularly on strengthening the PFs of the UNCCD. They may assist in the generation of policy proposals and projects, and organizing the participation of multilateral agencies in each country.

## **7. Resources for the Regional Strategy**

### **7.1 Justification of this pre-investment**

**232.** In the LAC countries there are severe constraints to attain better proposals and projects and to allocate more resources to combat DLDD. However, there are obviously several sources of funds for alternative uses that Governments, local organizations and businesses can access to achieve their goals.

**233.** From this point of view these are rather limitations from the side of the demand, rather than from the side of the supply of resources. Therefore, within the framework of synergy, actions must be designed to support the development of the national capacities.

**234.** The international funding for development agencies are interested in that both the proposals generated as the ability to manage resources become increasingly better. Thus, not only the amount of loans and grants will increase, but also the quality of the products, results and impact.

## 7.2 The amounts required

**235.** The extent of the DLDD problem and the need for regional action to build capacities in order to overcome the situation requires of a significant effort of the countries and international organizations linked to this challenge.

**236.** In terms of the resources needed to enable the implementation of the RIFS, it should be noted that this is a *trigger* type mechanism, i.e., to trigger actions or encourage a process of investment and policies.

**237.** Preliminarily, it has been estimated that to develop the three programs at the level of LAC requires of an annual budget of at least five million dollars and that the RIFS covers a period of five years at least.

**238.** Since the amount of this pre-investment varies between countries depending on their size and the magnitude of the problems, a modest allocation is needed of about US\$ 150,000 per country per year. This is a modest figure considering the relevance of the problems and the high returns expected.

**239.** These funds will complement those already provided by Governments and international agencies for the development of national capacities, which usually are contained in the regular budget contributions from the Governments and specific ongoing projects. It is considered that five years is a reasonable test period to prove the effectiveness of the Regional Strategy.

**240.** The total cost for each program will be co-financed with resources of both the RIFS, as of the Governments and ongoing projects.

## 7.3 The sources of resources and the necessary commitments

**241.** It is suggested that the management of resources to finance the RIFS is made before:

- **Bilateral cooperation agencies.** These are the agencies of developed countries such as the Spanish Agency of International Cooperation for Development (AECI), the U.S. Agency for International Development (USAID), the Canadian International Development Agency (CIDA) and others;
- **Multilateral cooperation agencies.** Most are part of the UN system: UNDP, UNEP, FAO;
- **Multilateral financing for development banks.** Among these: the Inter-American Development Bank (IDB), the World Bank group, the International Fund for Agricultural Development (IFAD), the Central American Bank for Economic Integration (BCIE), the Andean Development Corporation (CAF), the Caribbean Development Bank (CDB) and others;
- **Global Environmental Fund (GEF).**

**242.** Since it is foreseen that the implementation of the RIFS will have a triggering effect of policies and strategic public investments, it is expected that the public investments achieved as a result of the support offered will be very significant.

**243.** A goal of public investments for the DLDD of about US\$ 500 million per year, for investment horizons of five to ten years, must be put on the table as an issue for discussion.<sup>25</sup> This, in turn, should lead to an at least equal increase of private investments.

**244.** These figures are presented as preliminary targets that must be achieved to show that this pre-investment has a high return.

**245.** The LAC countries have different capabilities of foreign indebtedness and their current budget resources are exposed to different pressures. However, if a political commitment is really achieved, the figures referred to are realistic.

**246.** Therefore, it is important to assess the contributions to be made in order to enable this initiative, as a pre-investment. In fact this is how the aforementioned *trigger* effect is anticipated.

## **8. Necessary conditions for the effectiveness of the RIFS**

### **8.1 Commitment of each one of the agencies**

**247.** The nature and interests of each international organization are aspects to consider in the face of contributing towards the goal of increasing resources and ensure their effective use. Furthermore, the commitment of these agencies to cooperate in a sustained manner over time must be gained.

**248.** There will always be the risk of succumbing to pressures that result in a sparse allocation of resources, distributed into non-interlaced agendas and with actions that do not contribute to sustainable development. For example, to build more road infrastructure, to solve energy supply problems, etc. However, it is important that these actions internalize the objective of contributing with the combat of the DLDD, yet, not leave the other actions that directly contribute to that goal.

**249.** The responsibilities and capabilities of the different agencies are diverse, hence, it is suggested that their involvement is governed by the following considerations:

**250.** The technical cooperation agencies (FAO, IICA and ECLAC) should exploit their comparative advantage in their areas of thematic expertise as well as their experiences in policy and project development. In addition, FAO and IICA have to be highly useful by way of their National Representations. These three entities and the GM could be a sort of Technical Secretariat for the implementation of the RIFS.

**251.** The multilateral funding agencies (World Bank, IDB, IFAD, BCIE, CAF) will play their traditional role as providers of loan and grant resources, to make possible the elimination of the DLDD, and with a commitment to strengthen their liaisons, especially at the national level.

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<sup>25</sup> This preliminary estimate has been calculated on the basis that each year 100,000 hectares of degraded land could be recovered, at a cost of US\$ 5,000 per hectare.

**252.** National institutions (Ministries of Environment, Agriculture and Economy / Finance), shall undertake to exercise shared leadership in policy making, strategic planning and proposal generation. Committees or interinstitutional commissions of an advisory or governing nature should be created, of which we already have experiences, with the legal mandate for them to coordinate, and provide recommendations and generate binding decisions.

**253.** While recognizing the value of involving all the entities referred to at various levels, a special effort should be made to avoid bureaucratization.

## **8.2 Collaboration and synergy among initiatives and agencies**

**254.** The starting point for the partnerships among the agencies should be the demarcation of areas of intervention and recognition of the mandate given to the Global Mechanism.

**255.** As a subsidiary body of the UNCCD, the Global Mechanism should facilitate and support the countries in the process of mobilizing financial resources. Thus, the GM will undertake efforts before the bilateral and multilateral agencies to align and harmonize the resources that are investing in topics related or related to the LSM. It will also seek to encourage donors will to invest or increase the financial flows in the issue of DLDD.

**256.** On the other hand, the GM is not a fund or a donor or a bilateral or multilateral cooperating agency, but rather a facilitating agency, so it can not be in competition with other such entities.

**257.** Cooperation actions at the level of LAC would be developed as a collaborative effort of the GM and the funding agencies (World Bank, IDB, IFAD, BCIE, CAF, CDB) by way of loans. GEF will participate by way of grant resources, and ECLAC, FAO and IICA through technical cooperation.

**258.** Partnerships with subregional organizations with similar objectives as the ERAS in Central America and its financial axis. PIMAST, and the MERCOSUR Strategy for the Combat against Desertification and Drought will also be developed.

**259.** It must be ensured that each partnership and agreement pursues a specific end, so as to avoid the proliferation of agreements that, despite emerging with a good intention, fail to materialize in resources to drive effective synergy.



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