



## Guidelines

### Developing Integrated Financing Strategies for Sustainable Land Management

### An Introduction for Least Developed Countries and Small Islands Developing States

LDC and SIDS Targeted Portfolio Approach for Capacity Development &  
Mainstreaming of Sustainable Land Management Project





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Development & Mainstreaming of Sustainable Land  
Management Project**

# **Guidelines**

## **Developing Integrated Financing Strategies for Sustainable Land Management**

### **An Introduction for Least Developed Countries and Small Islands Developing States**

This document has been produced by the Global Support Unit and was written by Joana Talafre, Marc Paquin and Karel Mayrand of Unisféra International Centre, Montreal, Canada ([www.unisfera.org](http://www.unisfera.org)).

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# Acknowledgements

This document was developed in the context of the GEF's LDC and SIDS *Targeted Portfolio Approach for Capacity Development and Mainstreaming of Sustainable Land Management* Project. It is designed to provide tools, methods and information on the process of designing Integrated Financing Strategies for sustainable land management.

This document is intended as a companion to the work completed by the Global Mechanism of the UN Convention to Combat Desertification under its Designing Integrated Financing Strategies programme, and is adapted to respond to the specific challenges of LDCs and SIDS in the context of sustainable land management.

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## List of Acronyms

<b>CDM</b>	Clean Development Mechanism
<b>EIA</b>	Environmental Impact Assessment
<b>FDI</b>	Foreign Direct Investment
<b>FSC</b>	Forest Stewardship Council
<b>GDP</b>	Gross Domestic Product
<b>GEF</b>	Global Environmental Facility
<b>GIS</b>	Geographic Information System
<b>GM</b>	Global Mechanism
<b>GSU</b>	UNDP Global Support Unit
<b>IFS</b>	Integrated Financing Strategies
<b>LDCs</b>	Least Developed Countries
<b>MDGs</b>	Millennium Development Goals
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MTEF</b>	Medium-Term Expenditure Frameworks
<b>NAP</b>	National Action Programme
<b>NCSA</b>	National Capacity Self-Assessment
<b>NGO</b>	Non-Governmental Organization
<b>PER</b>	Public Expenditure Review
<b>PES</b>	Payments for Ecological Services
<b>PPP</b>	Public-Private Partnership
<b>PRSP</b>	Poverty Reduction Strategy Paper
<b>SEA</b>	Strategic Environmental Assessment
<b>SIDS</b>	Small Island Developing States
<b>SLM</b>	Sustainable Land Management
<b>SWAps</b>	Sector-wide approaches
<b>UN</b>	United Nations
<b>UNCCD</b>	United Nations Convention to Combat Desertification
<b>UNDP</b>	United Nations Development Program



## Introduction

Sustainable land management is recognized as a potential foundation of poverty reduction and sustainable development. In many cases, achieving sustainable land management or correcting unsustainable land use practices requires broad-based reforms, policy changes that reach beyond the scope of traditional environmental policy-making, as well as targeted interventions that yield immediate results. Despite the breadth and depth of the challenge faced by most developing countries, the resources invested in implementing policies and programmes for sustainable land management remain insufficient. In fact, the issue of resource mobilization for sustainable land management has been recognized as one of the major hurdles to achieving policy goals in most developing countries. Countries have been faced with sectoral policies, plans and programmes, including National Action Programmes (NAPs) under the UNCCD, which lacked grounding in broader country frameworks, and therefore went un-implemented.

In order to overcome this obstacle, much work has been done to re-examine the traditional patterns of financing for sustainable development, within the broader context of the evolving international funding system. It is commonly recognized that *ad hoc*, project-based approaches to mobilizing resources will continue to yield insufficient results, and therefore a more comprehensive approach is advocated. One such approach is the development of strategies designed to mobilize a more diversified array of funding sources and mechanisms, along a longer-term timeline.

Integrated Financing Strategies (IFS) are mechanisms conceived to address this challenge, by helping connect SLM policies and the process for their development with available resources and the process for their mobilization. The IFS concept, designed by the Global Mechanism of the UNCCD, is a “framework designed for locating, developing and mobilizing a mix of financial, human and technical resources to support policies, programmes and projects related to Sustainable Land Management (SLM).

During the development of the IFS, countries are encouraged to identify and address the policy, fiscal, legal and institutional barriers to resource mobilization – whether from internal or external sources.” (DIFS, GM, 2007)

### **Context: Least Developed Countries and Small Island Developing States**

These guidelines have been designed to take into account the particular circumstances of Least Developed Countries (LDCs) and Small Island Developing States (SIDS), who, despite their diversity, share many challenges. While scarcity of financial resources is a challenge common to many developing countries, LDCs and SIDS also have in common a high degree of dependency on the environment, particularly in rural areas, and therefore a high degree of vulnerability to environmental degradation; small or less diversified sources of economic income; high levels of public debt, as well as challenges related to infrastructure, remoteness, and public communication.

### Least Developed Countries (LDCs)

“LDCs are defined as low-income countries that are suffering from long-term handicaps to growth, in particular low levels of human resource development and / or severe structural weaknesses. Because of the profound poverty of their people and the weakness of their economic, institutional and human resources, often compounded by geophysical handicaps, these countries are particularly ill-equipped to develop their domestic economies which are so vulnerable to external shocks or natural disasters.”

From: <http://www.itu.int/ITU-D/lcd/who.html>

In many countries, a dispersed and mobile rural population creates challenges in communicating and delivering state services, including in monitoring land use and management. In Small Island Developing States, remoteness and the difficulties associated with governing multiple and distant geographic entities also exacerbate the hurdles created by poverty and low human and institutional capacity.

### Small Island Developing States (SIDS)

Small Island Developing States (SIDS) share similar sustainable development challenges, including small population, limited resources, remoteness, susceptibility to natural disasters, vulnerability to external shocks, and excessive dependence on international trade. Their growth and development is often further stymied by high transportation and communication costs, disproportionately expensive public administration and infrastructure due to their small size, and little to no opportunity to create economies of scale.

At the same time, LDCs and SIDS also share a number of processes and opportunities, such as the development of Poverty Reduction Strategy Papers (PRSPs) or externally-based debt relief and development assistance modalities, on which parts of the IFS process is based. These development cooperation frameworks provide useful avenues for addressing the challenges related to land management and resource mobilization.

### Scope and Objectives

The objective of this document is to provide advice to LDC and SIDS countries

in the development of Integrated Financing Strategies for sustainable land management. In addition, this document provides some advice on integrating sustainable land management into country frameworks as a condition for successful resource mobilization, with a specific accent on Poverty Reduction Strategy Papers and their accompanying processes. Additional guidance on this aspect of policy integration can also be found in the Generic Guidelines on Mainstreaming, to be produced by the Global Support Unit of the Targeted Portfolio Project for LDCs and SIDS (GSU) and the UNDP Drylands Development Center.

It is expected that Integrated Financing Strategies will constitute operational additions to NAPs under the UNCCD or other SLM policies. The aim of IFS is to provide an action-oriented anchor to ensure that SLM goals are achieved and supported by an adequate level of resources.

This document should be read as a companion to the more comprehensive Practical Guide to Designing Integrated Financing Strategies for Combating Desertification, which was produced by the Global Mechanism of the UNCCD<sup>1</sup>.

1. Available at [www.global-mechanism.org](http://www.global-mechanism.org).

It is intended primarily for Sustainable Land Management stakeholders within government agencies in LDCs and SIDs, who are expected to take the lead in devising and implementing resource mobilization strategies. These include officials in land-related agencies, local administrations, and particularly officials in Ministries of Finance and Planning. It is expected that the development and implementation of the IFS will be entrusted to a team comprised of a cross-section of these stakeholders, using a participatory process.

## Key Definitions

*Sustainable Land Management* can be defined as “the use of land resources (soils, forests, rangelands, water, animals and plants) for the production of goods to meet human needs while assuring their long-term productive potential”<sup>2</sup>. Because it is a cross-sectoral issue, promoting sustainable land management often requires policy and on-the-ground interventions that fall outside the scope of a single government agency or ministry, and that also require strong ownership and participation from local land-users and stakeholders. Hence,

resource mobilization for SLM will also require a similar, integrated approach.

*Mainstreaming* refers to a process of policy integration, where one set of policy priorities is integrated into a broader set of policies. In the case of environmental issues, mainstreaming refers to the process of ensuring that broad policy frameworks and national processes are consistent with environmental principles.

*Resources* include financial, human and technical resources needed to successfully implement sustainable land management. Although the emphasis is placed on mobilizing funds to cover the costs of programmes and projects, human and technical resources are key aspects of capacity that also need to be addressed.

For ease of reading, this document does not distinguish between funding sources, mechanisms and instruments; however, there are clear differences between them.

*Sources* can be understood as “points of origin” of funds (e.g. a bilateral donor, or internal vs. external), while *mechanisms* and *instruments* are means by which funds can be generated or channelled (e.g. a revolving fund or a tax).

*Integrated Financing Strategies* are conceived both as a process (analysis, priority setting and decision-making) and

as a “product” (a document that contains strategic elements as well as an action plan for proactive resource mobilization). IFS action plans are results-based tools that outline the activities recommended for resource mobilization; as such, they may be used for ongoing monitoring and evaluation of the success of the strategy.

Integrated Financing Strategies do not operate in a vacuum. Indeed, their content and characteristics will be greatly influenced by the larger context of financial and public expenditure management in a country. In order to be effective, the IFS should be anchored in national budgeting processes and integrated into political decision-making on development priorities. One example would be to link the IFS for SLM with the Medium-Term Expenditure Frameworks (MTEF)<sup>3</sup> that many countries are adopting as means to manage expenditures under their Poverty Reduction Strategy Papers (PRSPs).

2. GEF, Focal Areas Strategies and Strategic Programming for GEF 4, October 2007. Available at [www.gefweb.org](http://www.gefweb.org).

3. “An MTEF is a whole-of-government strategic policy and expenditure framework within which ministers and line ministries are provided with responsibility for resource allocation decisions and resource use. The MTEF consists of a top-down resource envelope, a bottom-up estimation of the current and medium-term costs of existing policy and, ultimately, the matching of these costs with available resources. The matching of costs should normally occur in the context of the annual budget process”, from World Bank’s Public Expenditure Management Handbook (1998, p. 46).

This document is structured as follows:

CHAPTER  
1

In **Chapter 1**, readers will find an overview of the various steps and elements of the IFS development process, including an overview of the capacities and types of resources needed to undertake the exercise. This chapter also provides some guidance on partnership building, which is essential for the development of a solid, country-owned IFS.

CHAPTER  
2

In **Chapter 2**, readers will find some guidance on the various components of national context analysis and stocktaking (environmental, policy, legal and institutional, and financial) – which constitute a necessary first step towards the development of the IFS.

CHAPTER  
3

**Chapter 3** explores the measures needed to set the enabling framework for the IFS, including the development of institutional coordination mechanisms, partnerships, and mainstreaming the principles of SLM into relevant national or local policy frameworks, including PRSPs.

CHAPTER  
4

**Chapter 4** contains explanations of the actions required in order to mobilize internal, external and innovative sources of funding.

CHAPTER  
5

**Chapter 5** provides guidance on developing and implementing a results-based IFS action plan.

CHAPTER  
6

Finally, **Chapter 6** focuses on monitoring and evaluation, in order to develop a mid- or long-term framework for resource mobilization. Although this is explored at the end of the document, proper planning and monitoring is a continuous process that is best initiated at the beginning of the IFS process.

## CHAPTER 1 Integrated Financing Strategies for Sustainable Land Management: An Overview

The production of integrated financing strategies is intended to replace the more traditional project-based approaches to resource mobilization, by helping to set the stage for sustainable resource flows based on an integration of SLM policy objectives into national priorities. IFS also allow for the tailoring of financing solutions to specific country needs by proposing a blend of internal and external, traditional and innovative sources and mechanisms of funding. Finally, the development of an IFS is also seen as a way to build the internal capacity of a country to make an economic case for SLM as a means to attract private and public investment.

The first step in developing an IFS is an extensive stocktaking exercise which should encompass the environmental, policy, institutional, legal and financial conditions that will affect the country's capacity to mobilize resources as well as its capacity to channel and manage these resources effectively towards SLM goals. This stocktaking exercise allows for the identification of major barriers and opportunities for resource mobilization and, therefore, for the identification of

recommended actions that would be included in the action plan.

At this stage, the creation of lasting internal and external partnerships is also a necessity. Indeed, the development and implementation of an IFS, particularly in LDCs and SIDS, where capacity is limited, should be undertaken as a collaborative and collective exercise. In addition, the success of the IFS will also depend on creating buy-in and ownership among the various SLM stakeholders, whether in or outside government.

To finalize the development of the IFS, those in charge of coordinating the process should also undertake to develop a shared action plan, to help maintain focus in the medium- and long-term, while providing the framework for monitoring results and enabling the IFS partners to share the resource mobilization workload. The action plan should be a costed list of activities to achieve resource mobilization objectives, including those activities that are designed to remove the barriers identified during

the stocktaking period. This results-based action plan can be reviewed, revised and added upon progressively as targets change and objectives evolve.

The next step consists in selecting the blend of internal and external, traditional and innovative sources of funding. Careful analysis will be necessary in order to devise the most appropriate blend of mechanisms, and in many cases, some policy and capacity building measures will need to be put in place in order to make certain instruments applicable or effective.

In moving to implementing the IFS, a crucial step consists in mainstreaming SLM objectives into national priorities, in order to create the conditions that will lead to lasting resource flows. In general, it is important to ensure that the various policies and programmes of a country that are likely to impact land use and land management appropriately reflect the principles of SLM. Central budgets, national and local development plans, sectoral policies and in the case of LDCs, Poverty Reduction Strategies all deserve specific attention in this regard.



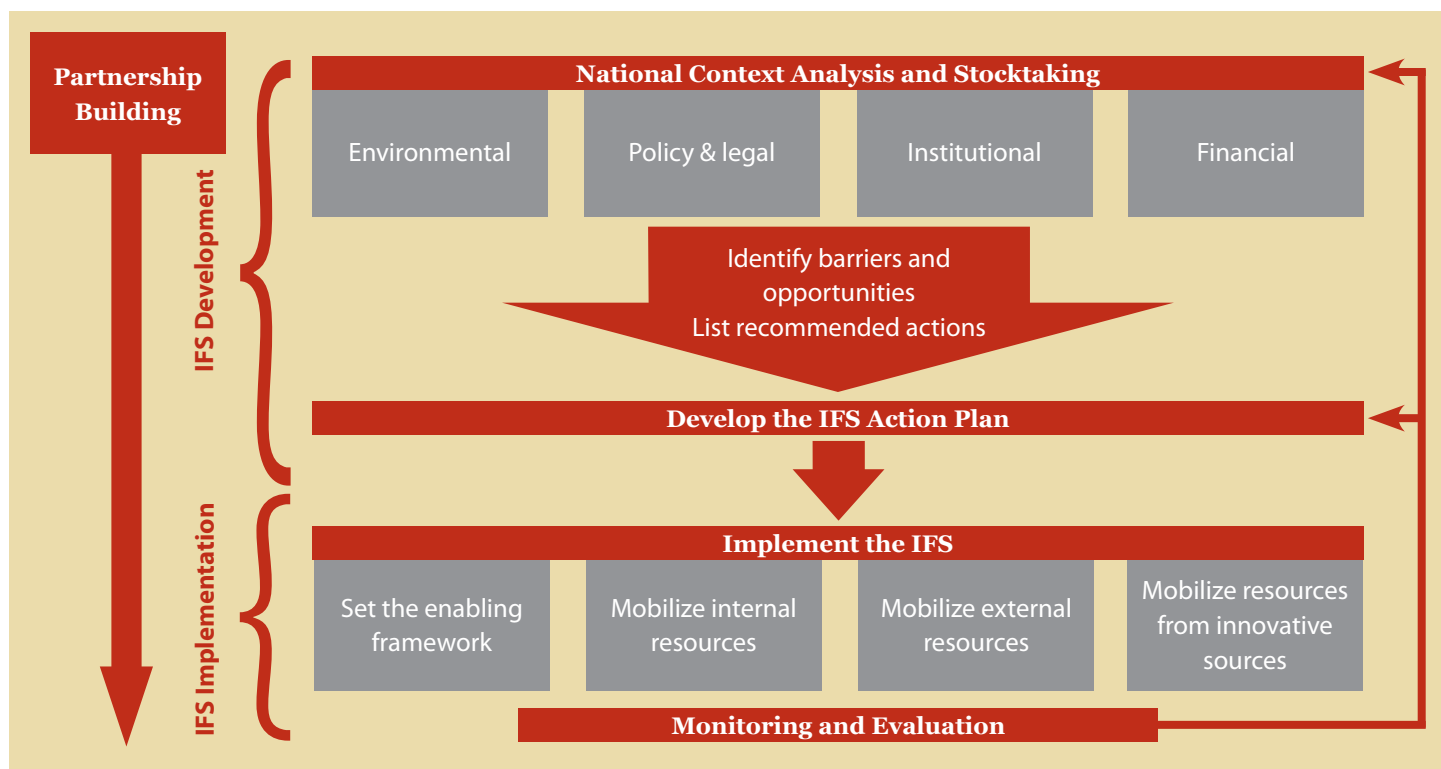


Figure 1: Steps in developing the IFS

The IFS should therefore contain the following parts:

- A summary of the results of the stocktaking exercise, detailing the environmental, institutional and policy conditions as well as a description of the possible barriers to resource mobilization and recommendations on how to address them;
- A summary of the steps taken (or to be taken) to set the enabling framework, including mainstreaming SLM into relevant policy and financial instruments;
- A set of long-term goals or strategic objectives, which serve as the core of the strategy;
- A costed, results-based action plan designed to achieve the above objectives;
- A plan for regular monitoring and evaluation, as well as for updating the action plan based on results obtained.

## Capacities and Resources Needed to Develop an IFS

The development of Integrated Financing Strategies will call upon the participation of many stakeholders and experts in various fields, from public finance to environmental science. It is therefore important to understand

what human, financial or other resources and capacities are needed, before embarking on the development of the IFS. The stocktaking phase may assist in evaluating whether external support is needed to develop elements of the IFS.

Below is a summary table providing examples of the types of resources that

may be needed to accomplish the various phases of the IFS development. For more details on these types of capacities and resources, readers may refer to the Capacity Development Manual<sup>4</sup>.

4. See the Manual on Capacity Development for Sustainable Land Management, available at [www.gsu.co.za](http://www.gsu.co.za).

IFS Stage	Expertise	Task	Examples of Other Resources
National Context Analysis and Stocktaking	Environmental specialists and SLM technical experts	Analysis of the environmental context and challenges	GIS or mapping capacity Documentation relevant to the state of land degradation in the country
	Institutional and / or policy specialists	Analysis of existing institutional set-up relevant to SLM Partnerships and stakeholder analyses Analysis of national planning frameworks and key policies	Access to information on national development frameworks
	Legal experts	Analysis of national legislation pertinent to SLM	Texts of laws regarding SLM, land tenure, public finance
	Financial specialists	Analysis of financial flows	Information from central agencies regarding national budgeting process, internal and external financial flows related to SLM Information from donors Database management capacity Information management capacity

## CHAPTER 1

IFS Stage	Expertise	Task	Examples of Other Resources
Setting the Enabling Framework	Institutional and / or policy expert(s)	Propose / reform institutional arrangements and coordination mechanisms  Develop information products for policy makers	Texts of relevant laws (budget, public finance, development)  Texts of relevant policies (poverty reduction strategies, decentralization, agriculture, etc...)
	Development planning experts	Identifying entry points	Access to key policy formulation organs or mechanisms
	Legal experts	Determine necessary legal reforms	Communications specialists – awareness campaigns  Knowledge of Strategic Environmental Assessment (SEA) procedures or Environmental Impact Assessments (EIA)
Resource Mobilization	Public finance experts / fiscal specialists	Analysis of national budget processes	Project planning / development specialists (for development of proposals)
	Legal experts	Feasibility analysis of innovative instruments  Legislative analysis of financial mechanisms and processes  Legal reforms to support application of innovative instruments	Macro economists
Planning, Monitoring and Other Cross-cutting Capacities	Results-Based Management (RBM) specialists	Develop action plan	Information management structure and technology
	Monitoring and evaluation specialists	Perform regular IFS reviews  Develop targets and indicators	Financial resources
	Facilitators / consultation experts	Facilitate consultations, meetings at local and / or national levels	Consultants

Figure 2: Examples of capacities and resources needed to develop an IFS

In order to maximize the use of resources and avoid duplication of work, the development of an Integrated Financing Strategy can build upon a number of exercises such as the National Capacity Self-Assessment, or the consultations undertaken for the development of the NAP. For example, many LDC and SIDS countries may have already achieved a good portion of the stocktaking phase. Many countries also already benefit from country reports to the UNCCD or capacity building efforts for agriculture under bilateral and multilateral programmes, which can provide good documentary sources.

The development of the SLM IFS need not be the sole responsibility of SLM focal points; in fact, it is imperative that it is undertaken as a collective exercise, and the steps are applicable to a number of sectors and areas of practice that are relevant to SLM such as forestry, agriculture, environment, water. LDCs and SIDS face resource mobilization challenges in many areas – hence it is up to each country to decide whether

the IFS could and / or should cover other sectors as well, such as trade, infrastructure, or education.

## Partnership Building

As mentioned above, due to the inherently cross-sectoral nature of SLM, the design and implementation of a financing strategy will call upon the collaborative efforts of all concerned stakeholders in and outside government. Therefore, it is important to take early steps towards building strong partnerships at the outset. Partnerships serve multiple purposes, from sharing workload and resources to creating synergies and fostering consensus. In order to create lasting partnerships, a clearly established common goal or vision is necessary. This goal will be useful to assess the effectiveness of the partnership as well as to select new partners and to define their possible contributions. Partnership building is a continuous process, which requires leadership and patience, as well as strong communication abilities.

As a first step, it may be necessary to review current partnerships to assess their effectiveness, strengths and weaknesses, as well as to identify potential new partners or modalities. Different types of partnerships may be included in this review, whether formally institutionalized (i.e. partnerships established through a Memorandum of Understanding) or informal (e.g. a loose collective of local actors working towards the same goal).

A stakeholder analysis tool<sup>5</sup> may provide some usefulness in this regard, by helping to map the relevant stakeholders relevant to SLM in a particular location, for example. Listing partners as well as their contribution and describing the partnerships modalities is also useful, as it allows one to analyse more closely the effectiveness of a given partnership or network. This tool also allows for the identification of potential new partners, but the definition of more specific criteria for their selection may also be called for.

5. See the Manual on Capacity Development for Sustainable Land Management, available at [www.gsu.co.za](http://www.gsu.co.za).

# CHAPTER 1

In order to build successful partnerships, parties must all be aware of what might be expected of them, as well as what they might gain from a partnership. Working towards an agreed goal may not be sufficient to secure ongoing participation from all partners; hence the creation of incentives may also require some continued attention.

Finally, it is important to periodically review the effectiveness of any partnership in order to determine its effectiveness, or if changes in its modalities or membership might make it more efficient. For example, in some

cases, it may be useful to formalize arrangements through the signing of contracts or the adoption of approved Terms of Reference.

Many of the potential partners and stakeholders will have to be involved in the development of the IFS at various stages. Therefore, it is important to begin the process by creating ownership for the concept of an IFS among potential partners and stakeholders. Stakeholder consultations should be planned early on and consultation should form an integral part of the IFS development process.

In this regard, it may be useful to develop a consultation plan based on the stakeholder mapping referred to above. This plan could include a list of stakeholder / partners, their current role in SLM, their potential role in the development and implementation of the IFS and the steps at which they should be involved. In a general manner, most stakeholders and partners will be involved in the first stage of the IFS development, by providing information that will be useful for the analysis of the national context.

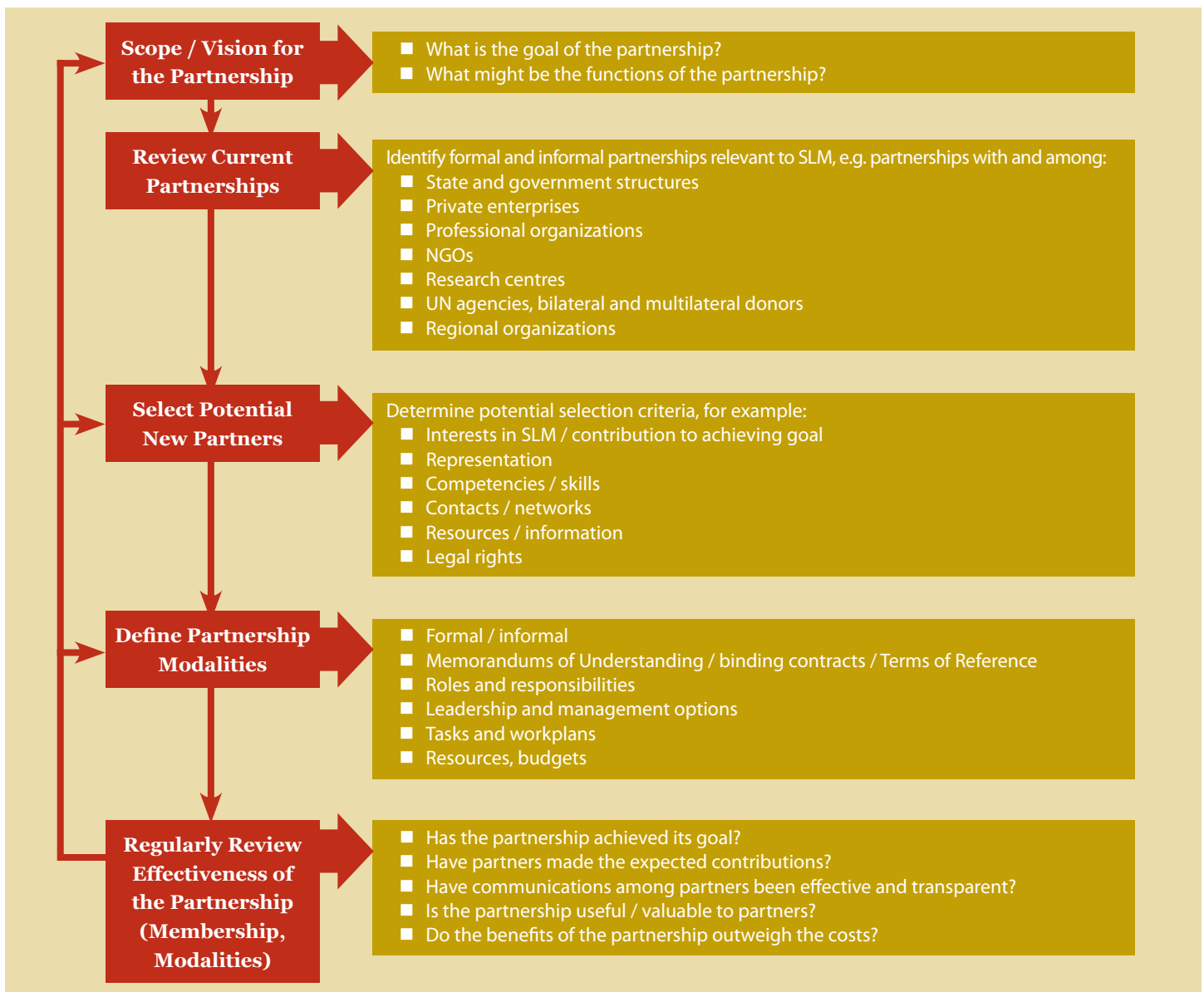


Figure 3: Steps in the partnership building process

CHAPTER  
2National Context Analysis  
and Stocktaking

While the need to mobilize additional financial resources to combat land degradation has been recognized, this has proven to be a challenge for most. In addition, the traditional understanding of SLM resources has been limited to monetary resources and has often overlooked the need to build on existing capacity and resources or to increase the effectiveness of existing programmes and projects. A country can determine if – and how much – additional resources and / or programmes are necessary on the basis of a comprehensive image of what is already in place.

The first step in developing an Integrated Financing Strategy is therefore to take stock of existing resources and of the environmental, policy, legislative and institutional conditions that may affect the country's capacity to mobilize existing and new resources.

This stocktaking exercise is usually undertaken in some way (sometimes partial) during the early steps of NAP development and SLM policy planning. In some cases, countries will have already completed this assessment; in other cases, there may be some gaps to fill. At the end of this section, countries should have a "baseline analysis" of national

development frameworks, processes and strategies, their consideration of SLM and of existing resources. The results of the stocktaking exercise should form an integral part of the IFS, and the information gathered can provide a solid basis for determining strategic objectives and targets at a later date.

### Overview of Stocktaking Methods

Assessments of existing resources and conditions are usually undertaken along a number of steps, and using a number of information gathering and analysis techniques. As a first step, a review of existing literature will help gather basic information about the environmental challenges, institutional structures and mechanisms, as well as ongoing projects and programmes.

A cross-sectoral Public Expenditure Review (PER) may be necessary to identify investments in SLM that are not explicit and to analyse the institutional framework. Indeed, due to the multi-sectoral nature of SLM initiatives, it is important to identify domestic and external flows of resources that may have an indirect impact on SLM. For example, investments in water and sanitation

infrastructure could constitute a part of integrated SLM planning in affected regions, but may not be clearly identified as such; similarly, many donors will provide funding for rural development and food security, but the link between these programmes and SLM may remain unexplored. Public expenditure reviews can often become very complicated to manage. It is therefore important to start with a clear picture of information needs and to develop a sound information management methodology.

However, it should be noted that many countries have experienced difficulties in conducting PERs around sustainable land management. This may be due to the fact that public expenditure reviews are often quite onerous exercises, demanding intense coordination, analysis and information and, of course, time. Hence, these reviews should be carefully scoped, to ensure that the data and information can be managed. This is more specifically true in the case of SLM, where one has to consider interventions that cut across the traditional sector lines (water, energy, forestry, mining, agriculture). In order to yield useful information, the PER should carefully define the list of interventions considered to be linked to SLM, and provide means to categorize the type of



linkages (e.g., direct, indirect). In the case of many LDCs, PERs may have already been conducted by central authorities as a contribution to the development of Poverty Reduction Strategies and associated Medium-Term Expenditure Frameworks. They may provide a basis on which to start analysing existing information.

A further level of examination will help gather information from relevant ministries and non-governmental stakeholders, where appropriate, because SLM investments will be channelled through a number of government agencies, NGOs, community organizations, or even sub-national authorities. Questionnaires and interviews are usually the preferred method for gathering this information, but the quality of information gathered will depend on the level of awareness of stakeholders about SLM.

Once the information has been gathered, some analysis is required to ensure consistency. For example, the literature review may reveal that some budgetary allocations are made for the purchase of fertilizers at the local level through district authorities, but these may not be reported by the authorities in the

questionnaire. It will be important to validate the results of the information gathered so as to avoid double-counting or omitting important sources of funds.

In order to compile the information in an easy to understand format, the compilation of a database or spreadsheet detailing the investments (type, objectives, amount, timelines, etc...) may also be necessary.

### Generic methods for taking stock of existing resources

- Literature reviews to gather information on ongoing programmes and projects (domestic and international);
- Cross-sectoral public expenditure reviews to analyse the institutional framework and track direct and indirect resource flows to SLM-related activities;
- Questionnaires, interviews and consultations with key stakeholders and partners (governmental, NGOs, communities).

The following section explores the elements of the national context analysis phase in more detail.

## Environmental Analysis and Stocktaking

In the presentation of the national frameworks, it is important to describe the context that is meaningful to the mobilization of resources. The first chapters of the IFS may therefore include a brief description of the main SLM challenges and how these will determine the types and amount of resources needed to curb land degradation. The environmental analysis portion of the IFS could cover, for example, an assessment of the extent of land degradation, its main causes depending on the region, the main factors that lead to unsustainable land management in the various affected areas, as well as pressures to be expected in the future, particularly as a result of climate change. This may also include an analysis of the impacts of land degradation on the economy and social development – thereby outlining the elements of the link between SLM and the MDGs in the country.

Literature reviews, scientific and on-the-ground assessments, as well as participatory assessments in a selected number of communities, may prove useful tools for this portion of the national context analysis. Additional information

can also be obtained from Geographic Information Systems (GIS), and in general, maps can provide a succinct, yet detailed level of information. It should be noted that if the NAP has yet to be developed, this exercise will also provide a sound basis on which to develop it. On the other hand, if the NAP has already been developed, it should already contain an overview of land degradation and land management in the country.

#### National context analysis: The environmental context

- **Natural factors:** Climate and potential impacts of climate change, topography, water, soils, flora;
- **Anthropogenic factors:** Population, land use practices, urbanization and infrastructure, agriculture, tourism;
- **Extent of land degradation:** Maps, degrees of degradation;
- **Root causes:** At local level (land users) and at macro-level (policies);
- **Impacts of land degradation and possible benefits of SLM:** On socio-economic development, poverty reduction, health and food security.

Possible sources of information relevant for the environmental stocktaking portion for LDCs and / or SIDs include:

- Results of the National Capacity Self-Assessment (NCSA) supported by the Global Environment Facility (GEF);
- Documents produced under the aegis of the Biodiversity Convention (National biodiversity strategies and action plans), the Ramsar Convention on Wetlands, or the Climate Change Convention (including National adaptation plans of action, vulnerability and impact studies, and national communications);
- Studies and national assessment reports produced within the framework of the Barbados Plan of Action;
- Academic monographs and country studies.

#### Policy and Legal Analysis and Stocktaking

In order to design and implement a successful financing strategy, a thorough understanding of the broad macro-economic, legal and policy context is needed. This includes an understanding of the mechanisms for national priority

setting, country level policy priorities as well as the laws governing land use and domestic and international resource flows. It is also important to gain a sound understanding of national development frameworks (e.g. 5 year plans, PRSPs), or major policy undertakings (e.g. agrarian or land reform) that will determine the overall context within which resource mobilization will take place.

#### SLM stakeholders and potential partners include:

- Land users, farmers and communities;
- Environmental and development NGOs and community organizations;
- Academia and the research community;
- Private sector firms, including small and medium enterprises and the informal markets;
- Local authorities, elected officials, traditional authorities;
- Ministries in charge of agriculture, water, urban planning, tourism, forests, finance, planning, mining, environment.

This analysis is usually achieved through a literature review, with input from key domestic and international partners. Information gathered from this part of the stocktaking phase can be managed through a thematic matrix that can be drawn upon in subsequent steps. The review should help provide the following elements:

- An overview of the laws or legal instruments governing finance, public finance and expenditures. This can help understand the types of funding instruments that may be developed or used in the country and what accompanying measures need to be put in place. It also helps understand public finance flows from central budgets to decentralized entities (districts, municipalities).
  - An overview of legal texts related to environmental protection, land use and land tenure, as well as those governing areas related to SLM such as agriculture, forestry, water.
- Where legal texts exist, it is also important to understand the extent to which compliance with the law can be enforced. For example, many countries may have laws governing deforestation, but low capacity to enforce them; therefore these laws remain without effect. Other aspects to note and analyse in this section of the stocktaking phase could include the impact of customary law and decentralized planning frameworks.
- A description of the national planning process, including an understanding of the policy-making organs (e.g. Council of ministers, parliament, regional assemblies, presidential functions).
  - A description of the major national policy initiatives having an impact on SLM or resource mobilization (e.g. regional integration, land reform, decentralization, debt reduction).
  - An analysis of the major priorities in the poverty reduction strategy as well as a description of the PRSP and its associated MTEF process. This will be of particular importance for LDCs because MTEFs are expected to set expenditure ceilings, and therefore any resource mobilization will have to remain within the limits set by the government.

## Institutional Analysis and Stocktaking

Following from the analysis above, this portion of the stocktaking exercise consists in developing an understanding of the institutional context more immediately linked to land management and SLM. This section includes an analysis of the SLM stakeholders (including in terms of their respective capacities, strengths, and weaknesses or challenges). It may provide a sound basis on which to broaden partnerships for the IFS or provide avenues for creating new ones.

A broad array of organizations will be involved in land management and SLM both within and outside government. It is useful to understand who the actors are, to understand their capacities as well as how they interact among themselves.

This portion of the analysis – along with the policy analysis in the previous section – may best be achieved through the organization of stakeholder meetings in various parts of the country, supplemented by documentary sources and questionnaires.

## CHAPTER 2

Questions to answer during this portion of the analysis include:

- What is the group's or individual's mandate? Is it clearly defined?
- What is the nature of their involvement in land issues?
- Are there overlaps with mandates from other organizations?
- What types of resources or capacity are at their disposal?
- How do they coordinate with other groups?
- Do they face technical or financial constraints?

It is also at this stage that a careful examination of existing coordination mechanisms should be conducted.

Good coordination is going to be necessary both for the development and implementation of the IFS – as well as for continued success in promoting sustainable land management.

An assessment of the effectiveness of coordination mechanisms should at the very least encompass the existing structures within government. It is useful to start this assessment with an understanding the mandate, modalities and membership of the various mechanisms, followed by a closer

examination of its authority, capacity, achievements and challenges.

For example, in many cases, countries will have established multi-stakeholder or interdepartmental coordinating bodies for the implementation of projects (e.g. the Targeted Portfolio Project or the NCSA), as well as for the implementation of the UNCCD or other Rio conventions. These groups can be the starting point of an analysis of the institutional context governing SLM.

Information gathered during this analysis may be presented as follows:

Organization / Stakeholder / Group	Mandates	Role in SLM	Achievements / Challenges	Organizational Capacity / Capacity Needs
Ministry of Agriculture	Rural development	Provide extension services in irrigation, fertilizers, crop research	Country-wide map of agricultural lands  Lacks resources for appropriate rural extension services	Scientific capacity  Laboratories  Mapping facilities  Need for more staff and training
UNCCD National Coordinating Body	Develop and implement the NAP	Steer consultative process  Mainstreaming	Organized national awareness campaign  Challenge: To influence decision-makers in participating ministries	Participation from all government departments  Need for a stronger mandate

Figure 4: Examples of an analysis of institutional mandates and coordination mechanisms

## Financial Analysis and Stocktaking

This aim of this section is to get a better understanding of the current internal and external resource flows towards sustainable land management. In order to obtain as complete a picture as possible, it is important to remember that not all activities contributing to sustainable land management may be labelled as such, whether the funds or programmes originate from internal or external sources. A first step may be to define the scope of required information, by defining what is considered as related – directly or indirectly – to SLM in your country.

### Programmes, projects and initiatives potentially included in this assessment include:

- Forestry management programmes;
- Community-based sustainable livelihoods projects;
- Rural development and food security projects;
- Agricultural research and extension services;
- Environmental conservation or rehabilitation programmes

(biodiversity conservation, adaptation to climate change);

- Disaster management programmes or climate adaptation initiatives;
- Drought and climate prediction activities;
- Integrated water resource management projects.

### Analysis of internal activities and associated resource flows

Based on the list of relevant organizations developed earlier, a number of investigation techniques can be used to determine the type of activities and level of funds associated to SLM activities in the country. Ideally, the assessment should include financial, technical and human resources (if possible, converted in monetary values). This exercise is evidently closely related to the analysis of organizations and institutional mechanisms above, and if possible, should be conducted simultaneously.

Making sure to include non-governmental stakeholders in this analysis, a questionnaire could request respondents to list the projects, programmes and initiatives they are implementing, along with their costs and the sources of funding. This will

ensure that resources flowing through the voluntary sector, for example, are not overlooked.

A first source of information is the national budget and the budget of the governmental organizations that have SLM-associated mandates. The budget will normally provide for the operating expenses (salaries, office equipment, utilities) as well as cover the cost of approved activities (capital expenses). This information can best be obtained through the ministry in charge of public finance, and can be managed through a carefully-scoped public expenditure review. In addition, it is advised to obtain figures for future years, so as to facilitate mid- and long-term planning. Some filtering may be necessary in order to determine the portion of funds allocated to each department that is actually dedicated to SLM (or that contributes to SLM indirectly).

Many countries also have set up a number of dedicated funds to address issues that may be related to SLM (rural development, micro-credit facilities, desertification funds). These funds can be replenished from a variety of sources – internal and external – such as state subsidies, taxes, or international donors.

Access to the budgets of decentralized government entities, such as district administrations or municipalities, may also provide useful information, since these are often involved in the provision of services to the local population. Local governments may also constitute an independent source of funding, if they have fiscal autonomy.

Finally, contributions from community-based organizations, NGOs and the private sector should not be ignored in this assessment. Although contributions may more often take the shape of in-kind support to local objectives, these constitute valuable resources. Understanding the contributions of the private sector will require some thorough investigation: as a first step, identifying private actors can prove a challenge in countries where private enterprise is mostly family-based or informal; however, targeting the investigation towards formally constituted enterprises in key sectors can provide useful avenues (e.g., fertilizer distributors, local logging companies, or locally-owned tourism facilities). Once the actors are identified, it will be important to undertake consultations to understand the nature of their activities, their impact on land resources and their possible role in promoting SLM.

The assessment of national or internal resource flows to SLM need not be exclusively a quantitative exercise. In fact, it may be an excellent opportunity to review the nature, effectiveness and impact of existing policies, programmes, or projects. In this case, the information can be managed by creating project profile sheets that can also be accessed in later stages of the IFS.

### **Analysis of external activities and associated resource flows**

In order to achieve this portion of the assessment, it may be useful first to start by making a list of bilateral and multilateral donors active in the country, as well as those who might become active. A request for information highlighting the types of projects and programmes included among SLM-related activities could then be sent to embassies or headquarters. However, it might also be useful to obtain a full list of projects, even if they are not related to SLM, although this may entail additional work to sort through what is relevant. In any case, large aid programmes such as direct budget support should be included in the list: as we will see later, if a country succeeds in mainstreaming land management issues in national

budgets or PRSPs and other expenditure frameworks, this may then help to ensure that donor budget support funds are (re) directed to SLM initiatives.

This portion of the assessment serves a similar purpose as the assessment of national resources, however gathering information may reveal some challenges. In some countries where donors are present, contacting embassies or consulates and requesting information may be relatively straightforward. However, in other, smaller countries, it may be necessary to contact headquarters of bilateral and multilateral donors directly.

The same challenge may be encountered when attempting to assess the resource flows coming from the external private sector, such as foreign investment and companies. However, since international investments are most often made with the formal agreement of central authorities, the ministries in charge of planning and finance may provide information on foreign based activities linked to land management.

Examples of questions to be addressed during the assessment of international resource flows:



- Is your country a “priority country” for the donor?
- What is the current amount and periodicity of financial support?
- What are the donor’s main sectors of interventions within the country?
- How does SLM feature on the donor agenda?
- What initiatives has the donor undertaken recently? In the past?
- Does the donor have a country-specific strategy or programme?
- Does the donor have any pre-conditions to financing?
- Is the donor involved in any regional activities?
- What funding schemes does the donor use?
- Does the company or organization implement activities that use or impact land resources?
- Does the company or organization promote a “corporate social responsibility” programme or policy?

Beyond simply collecting project lists, this assessment may also help inform the future choice of funding instruments, by providing a portrait of trends and priorities for donors, including thematic priorities and funding mechanisms. For example, a donor country may evolve from project-based aid in the agriculture sector to Sector-Wide Approaches (SWAp) in agriculture; or a donor country may identify specific countries of priority for development cooperation. Opportunities for specific mechanisms can therefore be identified through this assessment.

Examples of International Donors	Examples of Policy or Thematic Priorities	Examples of Resource Allocation Mechanisms
<b>Australia</b>	Focus on Asia Pacific countries	Contributions to NGOs and multilateral organizations
<b>Canada</b>	Poverty reduction, democratic governance, private sector development, health, basic education, equality between women and men, and environmental sustainability	Partnering funds between Canadian and local NGOs
<b>France</b>	Reduce poverty, finance economic growth and protect global public goods	Micro-finance schemes, French Global Environment Fund
<b>USAID</b>	Agriculture, democracy & governance, education & universities, environment, global partnerships	Balance of payment, budget support
<b>UNDP</b>	Crisis prevention and recovery, energy and environment, HIV / AIDS	Capacity development assistance, grants, Public Private Partnerships
<b>World Bank</b>	Public sector reform, governance, environmental sustainability	Loans, technical assistance, grants

Figure 5: Examples of bilateral and multilateral donors and their contributions<sup>6</sup>

6. This table does not aim to provide accurate, or exhaustive information on donors and their priorities. Up to date and complete information is best obtained from donor agencies.



## CHAPTER 2

Remember to:

- Provide a clear definition of the types of projects and programmes you consider as SLM-related (see above).
- Request information on ongoing as well as planned projects.
- Include budget support, debt relief and other types of funding instruments that may not be earmarked to a specific sector.
- Pay attention to resources targeted to regional programmes. If possible, the proportion of funds attributed per country should be obtained.

Once the information has been collected, as mentioned earlier, it is useful to reconcile or compare the information received from international partners with the information received by domestic partners.

The information gathered through the stocktaking process should be compiled in one, easy-to-access database or spreadsheet, to facilitate coordination. This compilation will enable an analysis of trends (over time, across sectors, geographically) and possible gaps. Below is an example of a sample of assessment.

This compilation can help determine the following aspects of resource availability:

- The total monetary value of financial, human and technical resources currently available.
- The amount of resources available per year, which will help make reasonable predictions on future needs.
- The distribution of resources geographically, which may reveal areas to target in developing investment priorities.

- The distribution of resources according to sector or objectives: This may also help reveal areas where there are resource gaps to fill.
- The distribution of resources among SLM implementing partners. This aspect is important because it will help analyse the capacity of the various government agencies and stakeholders, and may also be helpful to design a plan that takes into account issues of equity.
- The difference between the amount of internal resources and international resources. This is also important to reveal possible imbalances that could be rectified. Excessive reliance on one type or source of resources for SLM programming may hinder the mobilization of new resources.

Source	Activity	Total Amount (million)	Link to SLM	Amount to SLM	Current Year	Next Year	Year 3 ...
<b>1. Internal Sources</b>							
Ministry of Agriculture	Operating expenses	10	Supports extension services	2	2	2	2
	Organic agriculture programme	5	Promotes sustainable use of land, water, biodiversity	5	1	1	1
Ministry of Environment	Operating expenses	10	Supports environmental inspectors	2	1	1	1
	GEF project on forestry	2	Capacity building for forest management and combating deforestation	2	0.5	0.5	0.5
<b>2. External sources</b>							
World Bank	Budget support grant linked to PRSP and MTEF	100	(indirect) Supports Ministry of Environment budget through regular budget cycle	10	2	2	2
Pacific Regional Environment Programme (SPREP)	Technical assistance for sustainable tourism	2	Supports implementation of conservation areas	0.5	1	1	1

Figure 6: Example of spreadsheet detailing internal and external resource flows

## CHAPTER 2

**Conclusion**

This concludes the national context analysis and stocktaking portion of the IFS development. Readers will note that many of the steps recommended in this section can be undertaken jointly or

concurrently using similar methods. For example, the analysis of the institutional context can be combined with a portion of the legal and policy analysis, as well as with the analysis of internal resource flows through the use of a questionnaire.

	Environmental Analysis	Policy and Legal Analysis	Institutional Analysis	Financial Analysis
Literature Review	✓	✓	✓	✓
Questionnaires	✓	✓	✓	✓
Meetings	✓	✓	✓	✓
Expenditure Reviews	✓	✓	✓	✓

Figure 7: Similar methods can be used to gather information for different portions of the national context analysis

This analysis will also yield a number of recommended actions and interventions designed to foster an enabling framework and to mobilize resources. It is these recommended actions that form the core of the IFS. Therefore, following the stocktaking exercise, countries should have a good idea of what their strategic objectives might be for the IFS.

CHAPTER  
3

## Facilitating an Enabling Framework

The objective of this chapter is to build country stakeholders' capacity to implement the resource mobilization component of their IFS. Mobilizing resources will entail action along four pillars: first, actions designed to create an enabling environment and to remove barriers to resource mobilization; second, actions designed to mobilize internal resources; third, actions designed to mobilize external resources, with a particular emphasis on development cooperation resources; and finally, actions designed to assist in the identification of innovative sources of funding, with particular emphasis on engaging the private sector.

### Definitions and Objectives

As mentioned earlier, the analysis of potential barriers to resource mobilization undertaken during the national context analysis phase could reveal a number of systemic issues that may need to be resolved prior to undertaking any resource mobilization activities per se. Among the issues most often cited, the lack of integration of SLM issues into broader development frameworks can be an obstacle to mobilizing internal and external resources. Mainstreaming

SLM into national development plans and budgets, poverty reduction strategies and other sectoral policies is recommended as a priority action in the implementation of the IFS. Other key elements of an enabling environment for resource mobilization include human, organizational and systemic capacity. Efforts to create the appropriate context for resource mobilization should therefore give some attention to building individual capacities, removing technical and infrastructure barriers, and addressing any potential inconsistencies within the institutional and legislative framework<sup>7</sup>.

Mainstreaming is usually conceived as a process that seeks to promote integrated planning through awareness raising and partnerships among the various decision-making bodies of a country. It is essentially a government-led initiative, although to some extent non-governmental stakeholders can play a role in building public buy-in for addressing certain issues. In most instances, mainstreaming is a task best

achieved through a team approach, so as to build on the strengths of various groups of stakeholders. If a SLM-based national coordinating body has been established, mainstreaming efforts can be shared among its members, particularly its governmental members. It may also be helpful to take stock of other ongoing mainstreaming initiatives (for example under Rio conventions or programme initiatives such as TerrAfrica), in order to avoid duplication of effort. In addition, because mainstreaming can be a long and complex process, it is often suggested that it be managed as a project (with objectives, expected results, dedicated budgets and resources, as well as monitoring and evaluation). To this effect, it will be important to include these steps in the IFS action plan.

SLM mainstreaming is a process of informed dialogue with government and relevant national actors with the aim of building consensus on the impact of land degradation on livelihoods and implementing actions that will lead to a comprehensive response to land issues. (adapted from GM, DFIS Manual)

7. For more information on building individual, organizational and systemic capacity for sustainable management, leading to an enabling environment, readers may refer to the Manual on Capacity Development for SLM, see note 4.

## Identifying Entry Points

The integration of Sustainable Land Management objectives and principles into various country planning and policy processes increases the likelihood of mobilizing resources, and therefore deploying concrete interventions on the ground.

Some analysis and filtering will be needed in order to identify the policies and frameworks where SLM should be integrated, and to decide strategically where mainstreaming efforts should be concentrated. The policy and legal analysis undertaken during the stocktaking phase should yield

significant information on the policies and frameworks that are already linked to SLM, as well as a on those that should.

Policies, plans, programmes and other frameworks can come in many forms, whether documented or not. Although it is more convenient to aim towards the integration of SLM in documented policies, the success of this mainstreaming will largely depend on the understanding developed among partners and institutions that are charged with their implementation.

This step also requires identifying decision-makers and potential partners in the mainstreaming process. Often

mainstreaming will require developing communication and awareness raising activities targeted to specific groups of people. For example, integrating SLM concerns into national financial plans and budgets may require tailoring arguments towards an economically-inclined audience. It should be noted, however, that a necessary precondition to the success of mainstreaming endeavours will be the willingness of decision-makers to consider these arguments. Hence, all mainstreaming strategies are essentially partnership building, lobbying and awareness undertakings.

Framework	Entry Point	Partners
Poverty Reduction Strategy Papers	Poverty diagnosis	Ministries of Finance and Planning, World Bank
Medium-Term Expenditure Frameworks	Setting of line ministry expenditure ceilings	Line ministries
National Budgets	At submission of programme expenditure estimates	Ministries of Finance
	At submission by sectoral ministries	Line ministries
	At programme / policy implementation	Decentralized administration
Sectoral Policies and Programmes	At programme evaluation	Sectoral agencies
Local Development Plans	During consultative process	Municipalities, Ministry of Decentralization

Figure 8: Examples of frameworks, entry points and partners for SLM mainstreaming

## Institutions and Coordination

This approach to mainstreaming requires the establishment of effective communication channels among the various partners and stakeholders. Functioning coordination mechanisms as well as good bilateral relations with key ministries are an essential part of the mainstreaming process.

In this regard, the analysis of institutions undertaken during the stocktaking phase will reveal any potential shortcomings and challenges that need to be addressed. For example, if the National Coordinating Body for SLM lacks real influence on the actions of its members, this will adversely affect the mainstreaming process.

Possible interventions to strengthen coordination include:

- Ensure comprehensive membership at appropriate level;
- Setting up reporting mechanisms and clear communication channels to decision-makers.

### A Generic Mainstreaming Approach

Although there are a number of models proposed for mainstreaming, all of them suggest the following common steps<sup>8</sup>:

#### Step 1

#### Identifying entry points, stakeholders and partners

As mentioned above, the first step in the mainstreaming process is to identify the frameworks in which SLM issues should be integrated, and to gain a thorough understanding of their planning cycle, including identifying partners and interlocutors. For example, Poverty Reduction Strategy Papers are developed along a set timeline, and offer specific milestones and entry points; similarly,

8. This is a much simplified summary of a mainstreaming process that is described in more detail in various documents, notably the Generic Guidelines, produced by the UNDP Drylands Development Centre, the DIFS produced by the Global Mechanism of the UNCCD.

national budgeting cycles will vary from one country to the next, and sectoral policies often offer flexible planning cycles. The identification of entry points may in some cases require significant research into policy and financial planning cycles. Reviews of official documentation and interviews with key ministries are useful means of gathering such information.

Of particular relevance to Least Developed Countries, figure 9 represents a typical PRSP development cycle and identifies a set of possible entry points for SLM. These entry points will of course vary from one country to the next, depending on the country-specific modalities for the PRSP. For example, depending on their organization, national stakeholder conferences may also constitute good opportunities to raise awareness of SLM issues among stakeholders; depending on the level of awareness, national stakeholders themselves may raise SLM issues to be taken into account by government decision-makers.

## CHAPTER 3

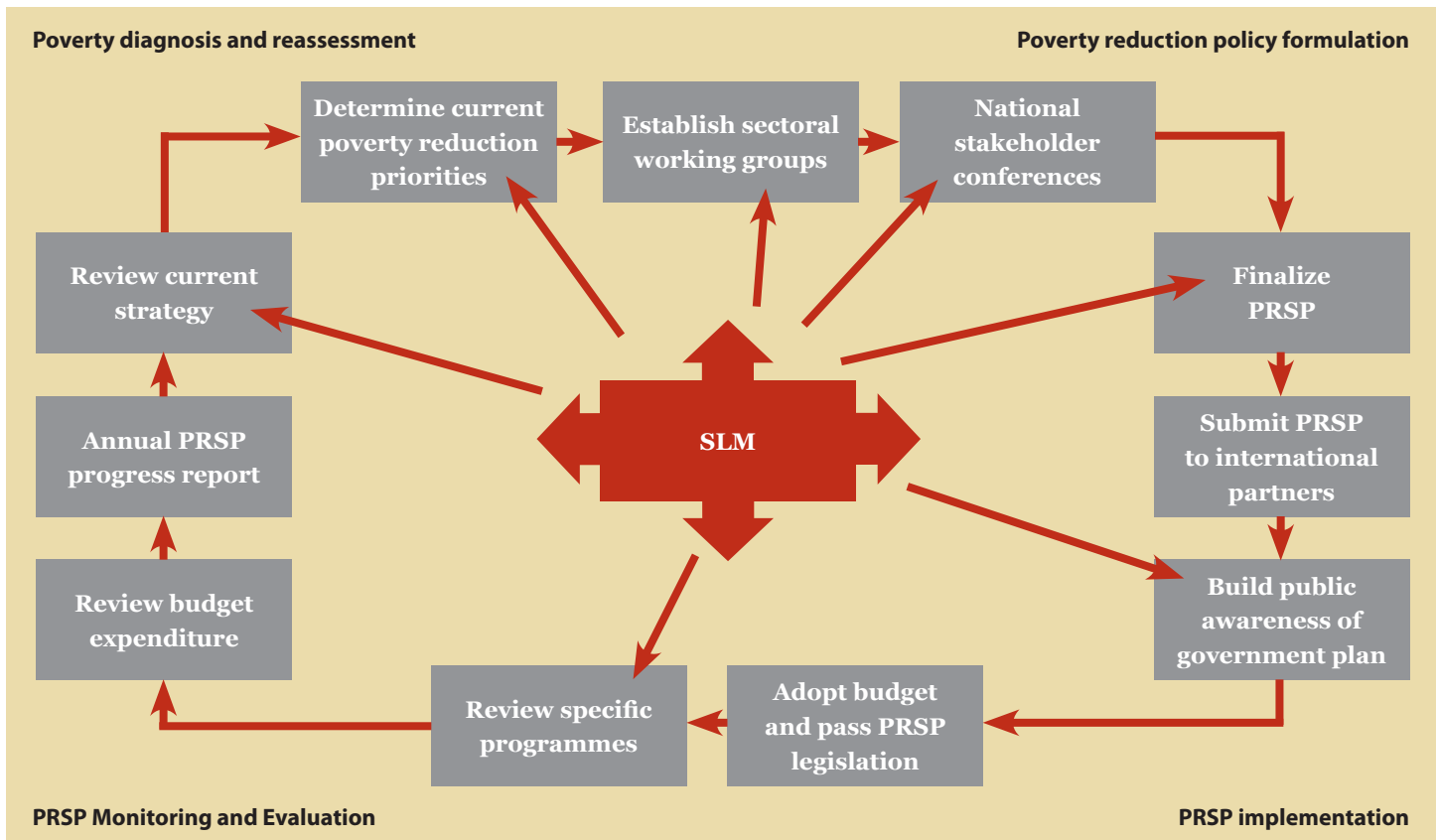


Figure 9: PRSP cycle and possible entry points<sup>9</sup>

Identifying entry points should be more than a theoretical undertaking. For each entry point, a set of preparatory actions will be necessary: for example, in order

9. Adapted from World Bank Institute, "Parliaments and the PRSP process", by K. Scott Hubli, Alicia P. Mandaville, 2004.

to contribute to the finalization of the PRSP, the IFS team or SLM coordinating body must be ensured that it will be allowed to provide written input to PRSP drafters – this may entail obtaining formal governmental authorization to participate in the PRSP process.

In the same vein, figure 10 represents the steps in designing Medium-Term Expenditure Frameworks, which some countries have elected to do as a follow-up to PRSPs. That figure could also be adapted to normal budget cycles.



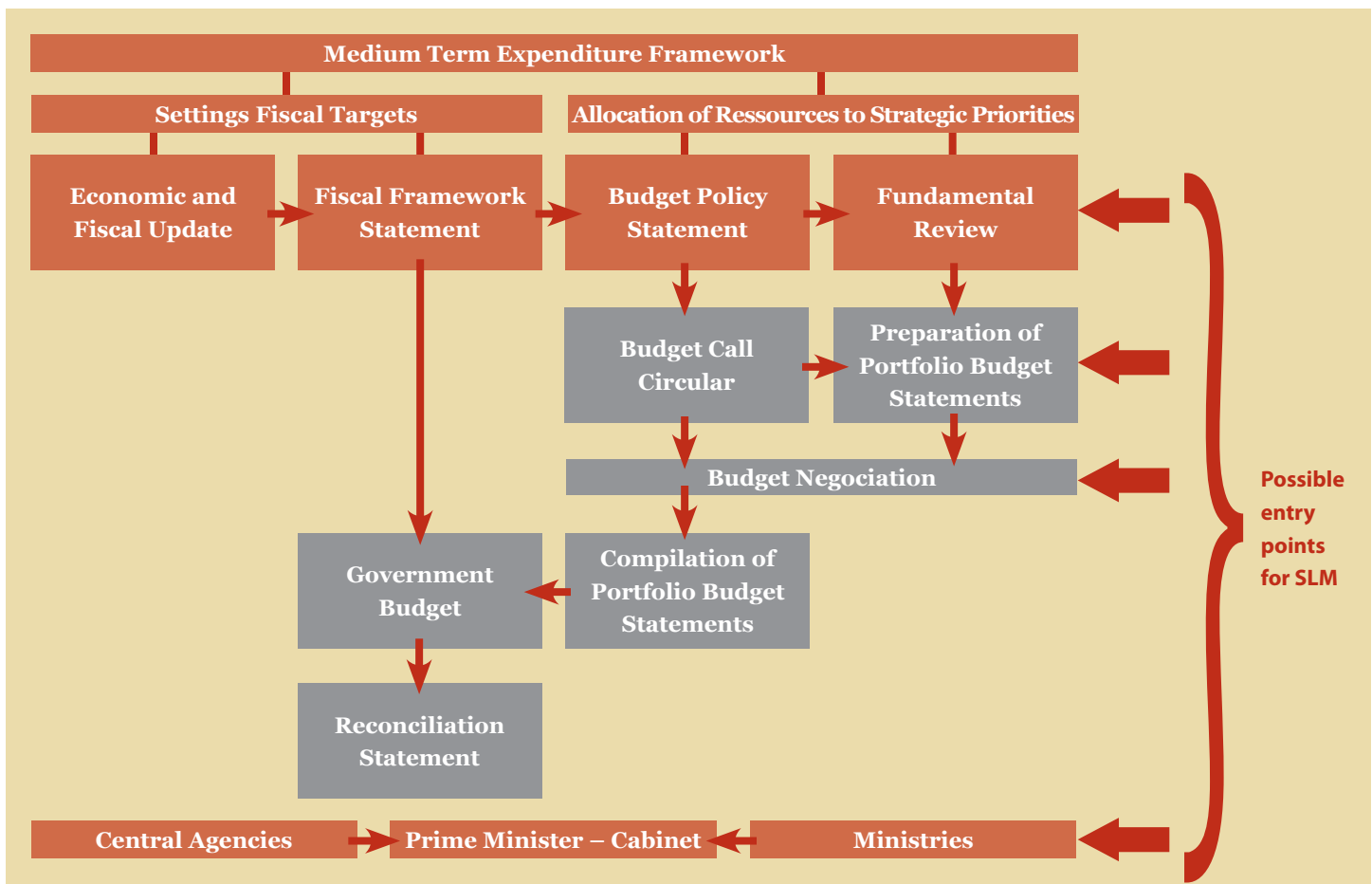


Figure 10: Possible entry points for SLM in the MTEF process<sup>10</sup>

## Step 2

### Gathering and disseminating analytical inputs

The identification of frameworks, entry points and partners will likely reveal

10. Adapted from World Bank, What is MTEF?  
By Serif Sayin.

the need to provide analytical input tailored to the interlocutors and partners' needs. For example, there will likely be a need to develop analytical input on the links between SLM and the country's economy, health, education and other broad priorities highlighted in the national budgets or PRSPs.

While much of the analysis will have been accomplished during the initial phases of SLM policy planning, NAP development or during the national context analysis, some supplementary information may be necessary. In some cases, the development of specific

information products may be warranted to assist with the mainstreaming process.

#### Examples of such products include:

- Fact sheets on Sustainable Land Management;
- Studies on the links between SLM and health, education and food security at the country level;
- Studies on the economic impact of land degradation (% of GDP from land-based activities);
- Studies on the impacts of land degradation on women and children;
- Maps correlating poverty and land degradation.

### Step 3

#### Deploy a communication and coordination strategy

Mainstreaming requires first and foremost convincing decision-makers in their own sector to integrate sustainable land management concerns into their area of work. Although a desired end-result of the mainstreaming process is the *documented* integration of SLM into policy papers, this may not be sufficient

to ensure lasting impact; the goal of the mainstreaming process is to engender a process of change in the behaviour of stakeholders. Hence a communication and coordination strategy is a pillar of mainstreaming, along with a set of tools to assist with decision-making.

In this regard, all members of the SLM coordinating body can play a role within their own constituencies. It is therefore important to ensure that team members are aware of their tasks, and that the coordination mechanisms are strong. In many cases, SLM stakeholders do not participate in decision-making or consultations on other government priorities. At a minimum, ensuring that members of the SLM team participate in consultations on the PRSP and other strategies would be required.

This communication and coordination strategy should be carefully planned according to the frameworks that are aimed for integration and the entry points. Meetings, interviews, public awareness campaigns are all tools that may help in communicating the importance of SLM to decision-makers in other sectors. In addition, the SLM

team can also provide targeted capacity development and training to partners in the use of Strategic Environmental Assessment or Environmental Impact Assessment. In fact, another recommended aspect of mainstreaming might be to ensure that a decision is taken at the highest level to make the use of these tools mandatory during policy and programme planning across the various levels of government.

#### Possible elements of a communication and coordination strategy for mainstreaming SLM

- A set of targeted information products on SLM;
- Established channels of communication and coordination;
- Access to decision-makers and participation in consultations on national frameworks;
- A time-bound, results-based plan;
- Use of SEA and EIA;
- Public awareness and buy-in.

## CHAPTER 4

# Resource Mobilization

In this chapter, readers will familiarize themselves with the various tools and approaches designed to mobilize internal, external and innovative sources of funding. It should be remembered that resource mobilization need not be confined to increasing monetary flows, but may also encompass human resources and capacity as well as technical resources. In addition, the objective of the Integrated Financing Strategy is to combine internal and external resource flows, and to ensure their long-term sustainability.

In many cases, international assistance funding requires that some form of internal investment is made, whether in the form of financial contributions (co-financing) or in the form of in-kind contributions to programmes and projects. Additionally, many donors are shifting towards programme-based approaches and budgetary support as opposed to project-based funding, raising further the importance of mainstreaming SLM into the appropriate national instruments.

### Internal Funding Sources, Instruments and Mechanisms

The mainstreaming process highlighted above is a fundamental tool to mobilizing

significant internal resources. If successful, the mainstreaming process should generate a decision-making process that acknowledges SLM concerns and that directs appropriate resources to addressing them within existing systems. A thorough understanding of national budgeting processes will help further target the mainstreaming process, by helping define (or refine) entry points. For example, if the mechanism for allocation of resources from the central budget to line ministries is the submission of programmes, then integrating SLM in these programmes will facilitate access to central budget resources. In other cases, the national budget covers only operating expenses, while investments in specific programmes are funded from external sources.

### Understanding the public budget process

The analysis of the national budget process should begin by determining which entities or administrations are covered by the budget, as well as the types of expenses. A survey of legal instruments governing the budgeting process can also provide good insight into the role of various institutions in setting priorities for public funds (e.g. Parliament,

Council of Ministers, head of government functions) – this may also help refine a lobbying and communication strategy for mainstreaming.

It is also important to understand how the resource envelope is set. Some countries have pre-determined public expenditure ceilings, which entail a process of negotiation among line ministries and also prevent any significant increases. Other items to note include how the process unfolds in time, and the types of decisions that are required at various milestones in the process.

This analysis may also be applied in understanding how resources flow from the central government to decentralized authorities, such as districts or municipalities.

### Identifying potential financing instruments and mechanisms

Although the national budget constitutes the most significant national source of resources, other internal instruments can also be investigated. It should be noted, however, that their applicability will often depend on the existence of broader enabling conditions (for example, laws).

### ► Fiscal and economic instruments

Fiscal and economic instruments can provide incentives for SLM or discourage certain unsustainable forms of land management. In many cases, their creation and deployment entail broad-based reforms that may be beyond the context of an IFS, whereas in other cases, basic conditions are in place (or the reforms are already underway). In many cases, setting up complex fiscal systems exclusively dedicated to SLM may be inefficient – the choice of instrument should be based on an understanding of its costs and benefits for the sector and the society as a whole.

In addition, fiscal measures should be carefully assessed to determine whether other backstopping policies are needed. For example, a single tax on charcoal may not be sufficient to discourage deforestation, but it may become more effective if accompanied by a subsidy for the production of solar energy.

Specific economic analysis should be undertaken to ensure that the increased burden from such measures does not fall disproportionately on the poor. One key aspect of this analysis should consider the impact of property rights on the potential relevance and effectiveness of

economic and fiscal instruments, as well as its impacts on the land users.

#### Possible fiscal or economic instruments for SLM:

- Taxes on fertilizers, pesticides, charcoal;
- Subsidies on solar or wind energy;
- Micro-credit schemes to diversify livelihoods;
- Clarification of property rights (e.g. grazing rights, water rights);
- Land use royalties;
- Fines (e.g. for illegal logging, unsustainable land use, conservation);
- Conservation easements.

### ► Public-Private Partnerships

Public-Private Partnerships are an increasingly attractive mechanism to promote private sector participation in environmental protection. Their use is based on the recognition that both the public and private sectors can benefit by pooling their resources to improve the delivery of basic services to all citizens. “Public-Private Partnership” (PPP) describes a spectrum of possible

relationships between public and private actors for the co-operative provision of services. The “right” relationship is the one that best meets the needs of the partners in the local context. PPPs offer alternatives to full privatisation (through divestiture of government assets) by combining the social responsibility, environmental awareness and public accountability of the public sector, with the finance, technology, managerial efficiency and entrepreneurial spirit of the private sector.

In the area of sustainable land management, PPP can be valuable tools in promoting conservation areas, agricultural research, or environmentally responsible mining. For example, PPPs in the agricultural research sector can offer private firms access to farmers in emerging markets; the chance to wield constructive influence in the development of legal and regulatory regime, and prospects to improve corporate profiles and reputations. On the other hand, governments can gain access to new, cutting-edge scientific expertise and knowledge and technologies held by the private sector and financial resources that are otherwise increasingly difficult to obtain<sup>11</sup>.

11. <http://www.ifpri.org/divs/eptd/dp/papers/eptdp113.pdf>.

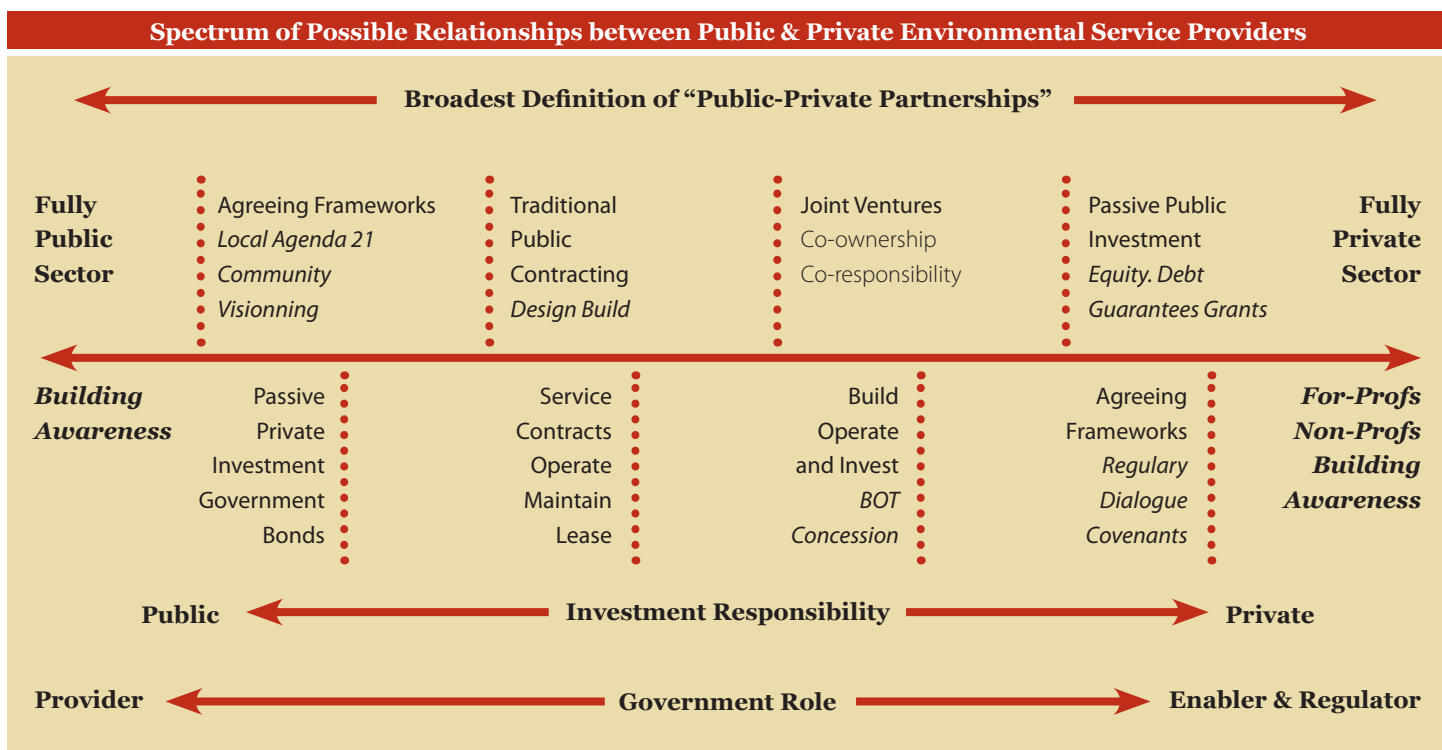


Figure 11: Types of Public-Private Partnerships<sup>12</sup>

## ► Dedicated Funds

The creation of dedicated environment or theme-specific funds has been recommended in some cases, under the framework of multilateral environmental agreements and frameworks (e.g. National Desertification Funds under the UNCCD). In some countries these funds already exist, but their operationalization

has given mixed results. A sound idea in principle, many of such funds were set up without much thought to modalities and costs of their management, or of the needs for their replenishment. However, in some cases, the creation of a dedicated fund can signify high levels of political attention to address an issue, and may facilitate the tracking of results per resources spent.

Funds can be replenished in a number of ways:

- National budget allocations;
- Pooled resources from line ministries;
- Tax revenue, or revenue from fines and charges;
- External resources (grants or loans);
- Expatriate funds and remittances;
- Voluntary private contributions (charity, or through NGOs);

12. From UNDP, Public Private Partnership for the Urban Environment, <http://www.undp.org/pppue/about/what.htm>.

- Revolving funds, which – after an initial replenishment – provide a combination of loans and grants to users, can become independently sustainable because they can generate their own revenues.

In order to be effective mechanisms for mobilizing and channelling funds to SLM initiatives, the national funds should have an appropriate legal constitution, specifying replenishment methods, management and accountability frameworks, and allocation policies. Adequate resources should also be set aside for the management of funds, review of project proposals, monitoring and evaluation.

### External Funding Sources, Instruments and Mechanisms

External sources of funding represent out-of-country sources such as bilateral and multilateral donors, multinational corporations, charitable foundations, etc. This section provides guidance on accessing these international funds. International funds are increasingly identified as supplementary resources, and their availability and magnitude is more often determined by the amount of internal resources contributed,

reinforcing the need for a thorough mainstreaming process.

Based on information gathered during the stocktaking exercise, countries should be able to locate potential bilateral and multilateral partners, as well as have an idea of their policies, thematic priorities and resource allocation mechanisms. Accessing these funds will require a sound understanding of each donor's requirements as well as planning cycles.

Potential sources of external funding include:

- Bilateral and multilateral donors;
- Regional development banks;
- Foreign direct investment;
- Expatriate funds;
- International NGOs and philanthropic organizations.

A first way of building partnerships with external donors around SLM issues is to initiate dialogue around long-term planning frameworks. In many cases, the priorities for intervention are decided between the donor and the country at an early stage, and projects and programmes are developed much later in the process. Hence, ensuring that SLM is included among the donors' priorities

for your country will require advocacy, very similar to that undertaken during the mainstreaming process. Providing information on linkages between various sectors of development cooperation and SLM may also be useful in this case. Once again, at a minimum, ensuring that the SLM coordinating body has a voice during international assistance planning is crucial.

If integrating SLM into country assistance strategies is not possible (due to timing, for example), it is also possible to seek project-based assistance. In addition, because a number of bilateral, multilateral and philanthropic donors provide direct assistance to NGOs and community-based organizations, it may be useful to build the capacity of local organizations to develop project proposals that are well nested within the overall SLM framework.

Five steps may be identified in the process of mobilizing external resources:

1. Integrating Sustainable Land Management in national development frameworks, plans and policies.
2. Identifying and understanding the potential donor and their specific requirements, policies and mechanisms.



3. Establishing a process for participation in country assistance strategies at the beginning of programming cycles.
4. Preparing and submitting detailed project / programme proposals.
5. Lobbying and advocating through meetings and information exchanges.

**In order to maximize opportunities, the following elements should be included in any project proposal:**

- A sound rationale for the project intervention;
- Clear indications of country buy-in for the sector (including any evidence of mainstreaming);
- Results-based project management plans and budgets;
- Realistic financial estimates and indications of country contributions;
- Indications of impact indicators;
- Overview of the implementing agency's capacity, role and responsibility;
- Local endorsement from the highest possible level for the project.

## **Innovative Funding Sources, Instruments and Mechanisms**

Innovative financing mechanisms are lesser known than their traditional funding sources counterparts. Mechanisms linked to the Rio conventions as well as emerging environmental finance mechanisms could be explored.

As with the deployment of fiscal or economic instruments, the implementation of innovative instruments of finance are likely to require an in-depth analysis of their applicability in the country context, their potential benefits and costs, as well as an analysis of required accompanying measures. If such instruments are identified as potential avenues in the IFS, their implementation may require significant capacity development.

Because many of the innovative mechanisms are at the "experimental" stage, listing all instruments is impossible within the scope of this document. However, a number of steps are recommended when opting for innovative financing as part of an IFS.

## **Identify innovative financial mechanisms and instruments, including mechanisms of related conventions**

A wide range of innovative financing mechanisms offer themselves to investigation. An exhaustive literature review should be conducted as a first step. Innovative instruments are highly varied but have not been fully explored in developing countries as much as other, more traditional funding sources. This analysis may therefore be highly time-consuming and requires meetings with a multitude of actors in both the public and private sectors. Useful sources of information include the Rio conventions and associated documents; literature on economic instruments used in environmental protection; websites of environmental funds and innovative mechanisms; meetings with stakeholders who are exploring or already have experience implementing certain innovative schemes.

## **Assess the most suitable innovative financing sources**

The most appropriate mechanisms should be selected based on the potential to implement the mechanisms

in the country context. Existing structures, regulations, and legislation should be considered when analyzing the relevance and applicability of the mechanisms. This may also be facilitated by previous experience in the country or the region, and by the presence of NGO partners with implementation capacity. In order to fully assess the appropriateness of a specific instrument, cost-benefit analyses and other generic methods can be of use.

Factors determining the adaptability of innovative instruments to a country context include:

- Cost and cost-effectiveness;
- Capacity to implement (individual, financial, systemic, infrastructural);
- Extent of required systemic changes (legal reforms, decentralization, tenure changes);
- Complementarity to other mechanisms, sources;
- Required time for development and implementation;
- Amount of resources generated;
- Synergies with other thematic priorities.

**Finance mechanisms** will vary according to their ecological, social and political context. Four broad types of mechanisms can be distinguished, in declining level of government involvement (Scherr et al., 2004; Powell et al., 2002).

Public payment schemes, where the government provides the institutional foundation for a programme and directly invests in it as well. Examples include:

- Permanent conservation easements;
- Contract farmland set aside for conservation;
- Programmes to co-finance investments in afforestation or sustainable forest management;
- Payments for the confirmed presence of endangered wildlife species.

Open trading under a regulatory cap or floor, a market-based solution. The government defines a binding level of a specific ecosystem service to be provided. But to achieve this level the regulated party can choose either to comply directly with the requirement or to pay others, who are in a position to achieve the targets more cheaply, to do so. Examples include:

- Wetland mitigation banking in the USA;
- Tradable development rights;
- Salinity credit trading in New South Wales, Australia;
- Carbon emission trading.



Self-organized private deals. Direct, usually closed, transactions between offsite beneficiaries of forest services and forest landholders responsible for the services. Examples include:

- Hydropower companies paying land owners upstream for managing forest cover in the designated watershed;
- An NGO partnering with local people to restore degraded land;
- A pharmaceutical company paying for access to a certain area or for the collecting work by local people of potentially valuable organisms.

Ecolabeling of forest or farm products. This process is also handled by private actors and payments for ecosystem services is embedded in a traded product. Examples include:

- FSC (Forest Stewardship Council) timber and non-timber certification;
- “Salmon-safe” labeled products from farmers in the northwest US.

(Global Mechanism, Manual on Developing Integrated Financing Strategies, 2007)

## Assess accompanying measures needed for implementation

As with the case of economic or market-based instruments, some of the most innovative mechanisms presuppose the existence of a particular legislative and policy framework, or the existence of certain institutions. The stocktaking phase should provide insight into these necessary accompanying measures. For example, the UNFCCC Clean Development Mechanism (CDM) requires the existence of a Designated National Authority, and the use of conservation easements would require a clear system for property title transfers.

There are a number of incentives to participate in innovative mechanisms.

In the public sector, finance mechanisms can provide a cost-effective solution to further internalize the value of nature into the market by seeing it as a good or service that can be traded. Incentives for the private sector can include business opportunities (including the ability to earn money through carbon credits or the water market through financial intermediaries, reduced environmental risk for insurance firms, or eco-enterprise operations); secure, sustained or reduced costs of key natural resource inputs required for business operations (such as uncontaminated water needed for a bottling plant, “charismatic” macro fauna for ecotourism, genetic resources for pharmaceutical companies, or the conservation of a watershed to

secure water flow regulation / high quality drinking water); or corporate responsibility such as securing license to operate, reputation, risk and relationship management, better government and community relations. Moreover, the financial value of land, forest or other assets belonging to the company might be enhanced or maintained.

If a country opts to make use of innovative sources or mechanisms within the scope of its IFS, accompanying measures should form part of the IFS action plan, in conjunction with measures that are designed to facilitate the broader enabling framework (enhancing coordination, strengthening institutional capacity, mainstreaming).

CHAPTER  
5

# Developing the IFS Action Plan

The action plan lists the interventions designed to achieve the goals of the IFS. It accompanies the strategy and uses the principles of results-based management to ensure adaptive management and to monitor progress. The aim of the action plan is to present a comprehensive logical framework that includes roles and responsibilities, targets and indicators, budgets and timelines. Its development should be undertaken as a collective exercise, and it is important to ensure that all stakeholders and IFS partners are aware of what will be expected of them during the implementation phase.

## Developing the IFS Action Plan

Activities and interventions included in the action plan are derived from the recommendations that emerge from the stocktaking and analysis phases, as well as from the preliminary explorations of various funding sources, mechanisms and instruments.

Since the activities are typically large elements, they will need to be broken down into more manageable tasks. Activities should only be broken down to a level which enables the action plan development working group to effectively estimate time and resource requirements and provides enough information for those responsible for the particular activity or task. Setting project milestones helps establish reference points that mark clearly distinguishable events in the action plan that can be used to monitor progress during implementation. They are predetermined points to gauge whether a project is on track as planned. The simplest project milestones are the dates estimated for the start or completion of an activity. An action plan can be presented using a Gantt chart, which enables a visualization of the schedule and actual progress in a project, or using a matrix format as below.

The matrix or logical framework used to develop the IFS should contain the following elements:

Element	Explanation / Example
<b>Outcome</b>	<ul style="list-style-type: none"> <li>■ A mid-term result from a set of outputs or activities</li> <li>■ Ex: "SLM is mainstreamed in PRSP"</li> </ul>
<b>Activity / Output</b>	<ul style="list-style-type: none"> <li>■ A distinct activity or product leading to the achievement of the outcome</li> <li>■ Activities can also be broken down into sub-activities to facilitate tracking and monitoring of complex tasks</li> <li>■ Ex: "prepare information leaflet on land degradation and the economy"</li> </ul>
<b>Responsible Party</b>	<ul style="list-style-type: none"> <li>■ Should contain leading responsible actor, as well as detail supporting functions</li> <li>■ Ex: Ministry of Environment, with support from Ministry of Finance</li> </ul>
<b>Indicator</b>	<ul style="list-style-type: none"> <li>■ Quantitative or qualitative variable used to verify the change produced by the activity</li> <li>■ Ex: "yes / no"; "0 – status quo, 1 – partial improvement, 2 – near complete activity, 3 – most desirable status"</li> </ul>
<b>Baseline Situation</b>	<ul style="list-style-type: none"> <li>■ Using the indicator, this value will describe the actual situation or the situation at start-up</li> <li>■ Ex: "0"</li> </ul>
<b>Target</b>	<ul style="list-style-type: none"> <li>■ Using the indicator, this value describes the desired status</li> <li>■ Ex: "3", or "PRSP explicitly includes SLM principles and objectives"</li> </ul>
<b>Priority</b>	<ul style="list-style-type: none"> <li>■ This is used to provide an idea of the importance and sequence of activities (e.g. All high priority tasks should be implemented first)</li> <li>■ Ex: "High-Medium-Low", "Urgent and Important"</li> </ul>
<b>Budget / Resources</b>	<ul style="list-style-type: none"> <li>■ Provide an indication of the resources required to implement the activity, in monetary terms or otherwise</li> <li>■ If possible, the source of support for the activity should be indicated (for example, if it is to be sourced from regular staff time or outside contributions)</li> <li>■ Ex: "Ministry of Agriculture: 5 persons / month"</li> </ul>
<b>Timeline</b>	<ul style="list-style-type: none"> <li>■ Along with determining the priority level of a given activity, it may help to determine the time of its desired completion, or the time of its expected duration</li> <li>■ Ex: "3 months after first consultation meeting", or "1st quarter"</li> </ul>
<b>Risks and Assumptions</b>	<ul style="list-style-type: none"> <li>■ List potential events, circumstances that may cause hindrance to the implementation of activities</li> <li>■ Assumptions are statements that are taken as true, but that if found false, can cause obstacles</li> <li>■ Ex: Risk: "elections may cause disruptions in the policy process"; assumption: "government ministries are willing to participate"</li> </ul>

Figure 12: Elements of the IFS action plan

The action plan should also be costed. A range of resources is typically required to implement a successful financing strategy. These may include, among others, human resources, facilities, equipment, and materials. Other costs may include travel, training, equipment, venue rental, technical assistance etc. It is important to be as accurate as possible when estimating resource requirements at this stage. The more accurate the estimates are, the less likely the undertaking will run into problems during implementation (and require requests for additional. Finer details on each resource can be defined by considering the following:

- Human resources: knowledge and skills; person-days required; estimated cost;
- Facilities: types; space and time required; estimated cost;

- Equipment: types; time required; estimated cost;
- Services: types (e.g. travel expenses, translation); quantity; estimated cost;
- Materials: types; quantity; estimated cost; and
- Any special requirements: unique skills; resources; etc.

Finally, as with all coordinated efforts, it is important that an “owner” of the plan be designated, and that this person or institution be assigned the responsibility for the plan’s monitoring and implementation. In many cases, this leadership role could be entrusted to central ministries (finance, planning) or to institutions that already have similar experience or resources<sup>13</sup>.

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13. From Manual: Capacity Development for Sustainable Land Management; [www.gsu.co.za/](http://www.gsu.co.za/)

## CHAPTER 6

# Monitoring and Evaluation

Monitoring and Evaluation (M&E) are essential elements of the IFS, particularly through the development and implementation of the IFS action plan. As a process, M&E activities can be invaluable tools to assess the efficiency of an IFS, as well as the effectiveness of resource mobilization activities and of resource allocation and management. While it is recommended to develop a set of indicators specific to the IFS, these can also be combined with or derived from the National Action Plan, Medium Sized Projects and other related M&E tools.

The monitoring and evaluation elements of the IFS action plan should enable the various stakeholders in performing annual adjustments to resource mobilization activities, so as to adapt the IFS to ongoing circumstances, chances, challenges and successes. The development of a M&E Plan for the IFS can be divided in three components: indicators for resource mobilization activities (included in the action plan, as seen above); tools to monitor the effectiveness of resource allocation; and mechanisms for coordinated monitoring and evaluation.

Additional information on monitoring and evaluation can be found in the M&E Resource Kit, as well as in the Manual on Capacity Development for Sustainable

Land Management developed by the Targeted Portfolio Project on Capacity Building for Sustainable Land Management for LDCs and SIDS<sup>14</sup>.

## Defining Targets and Indicators for Resource Mobilization

Based on the IFS action plan, each stakeholder should be aware of their own responsibilities for undertaking resource mobilization activities, which in turn will support activities of the SLM plan or the NAP. Resource mobilization activities include mainstreaming, awareness raising, project development, and coordination as well as drafting project proposals or engaging in bilateral discussions with international donors.

Indicators to monitor the effectiveness of resource mobilization activities can be simple verifications of the results. These types of indicators are best applied at the end of the time allocated for a given resource mobilization activity. It is also possible to complement these indicators with a more qualitative assessment of the activities, so as to derive lessons learned. Specific attention should be given to understanding the reasons a

given activity might have failed, so as to adjust activities over time.

Other aspects lending themselves to monitoring and evaluation might include the effectiveness of coordination of the IFS action plan, as well as the adequacy of resources dedicated to its implementation, competing priorities and information gathering. In the case where innovative financial mechanisms are selected, an assessment of their success, adaptability and appropriateness might also be need.

Examples of indicators that can be applied at the end of an IFS implementation period (once all activities in the action plan have been implemented) include:

- **Amount of resources mobilized:** This amount could be described according to the sources of origins of the resources (internal, external, private sector), or according to the types of resources (human, financial, technical).
- **Timeliness of resource mobilization:** This helps maintain the appropriateness of the resource mobilization plan, according to set timelines.
- **Number or quality of information products** generated for mainstreaming.

14. Both documents are available at : [www.gsu.co.za](http://www.gsu.co.za).

- **The extent to which SLM objectives are integrated** into a broader framework.
- **Effectiveness of IFS coordination mechanism:** This is particularly important in the case where more than one ministry or person is tasked with undertaking different, but related resource mobilization tasks.
- **Number of project proposals submitted / approved:** This can help keep track of project proposals submitted to external partners. If the number of approved projects is low, a change in approach may be necessary.
- **Extent to which accompanying measures are implemented,** in the case of innovative mechanisms. For example, if an environmental trust fund is to be set-up, one indicator could be whether or not the legal constitution of the fund was approved by the government.

Finally, it is important to remember that indicators should be adapted to the planned activities, and will likely change over time. Hence it is important to develop indicators that are as simple as possible, while balancing the need for qualitative and quantitative evaluation of the IFS performance.

## Mechanisms for Monitoring and Evaluation

The IFS team or steering committee should take overall responsibility for monitoring and evaluation, however a focal point within the team could be named to facilitate information gathering and coordination. Independent audit and evaluation exercises are also useful periodically to ensure that findings are legitimate, and that recommendations are made to implementing partners in a neutral way. The group will have to decide on the following aspects of monitoring and evaluation:

- **Timing and frequency of monitoring and evaluation:** Reporting or analyses could take place as often as quarterly, particularly during the initial phases of resource mobilization; at the very least, an annual M&E exercise should be undertaken in order to revise the IFS for future years. Reports can be targeted to look at specific activities according to staggering schedules, for example:
  - Quarterly reports for resource mobilization activities;
  - Semi-annual adjustment exercises (revise targets, timelines);
  - Annual work-planning exercises.

- **Reporting mechanisms:** The group will also decide on how information will be gathered in order to feed into the M&E process. Individual members or ministries may be asked to provide separate reports on their activities under the IFS, or separate reports can be developed for activities that involve more than one ministry. Information should be shared openly among partners, with input from non-governmental entities, including the private sector, depending on their participation in the IFS implementation. Monitoring and evaluation meetings can be organized at the desired frequency. Finally, independent expertise may be sought for periodical assessments of effectiveness, particularly when it comes to assessing the management of resources during implementation phases.
- **Adjustments to the IFS:** Based on the results of the M&E exercises, targets and priority activities may need to be modified or adjusted. Regardless of the reason, the group will have to decide on criteria allowing for the adjustment of the IFS action plan. In all cases, the IFS should be revised annually, as a rolling plan and framework, to keep track of evolving circumstances.

# Annex 1 – Overview of Funding Sources, Instruments and Mechanisms

The next few pages provide a broad overview of the various sources of funding, as well as funding mechanisms and instruments, in order to increase the reader's understanding of the array of possible avenues to generate, increase and channel resources towards land management.

As mentioned earlier, this document does not distinguish between funding sources, mechanisms and instruments; however, there are clear differences between them. *Sources* can be understood as “points of origin” of funds (e.g. a bilateral donor, or internal vs. external), while *mechanisms* and *instruments* are means by which funds can be generated or channelled (e.g. a revolving fund or a tax).

## Internal Sources, Instruments and Mechanisms

Internal sources of funding include mostly public expenditures, investments, as well as the operating budgets and infrastructure for central, provincial and local authorities and agencies. Public expenditures can be financed through taxes, public debt or international financing. In some cases, for example if a country is receiving budget support from external sources, it may be difficult to distinguish between international sources and domestic sources. For the purposes of this document, we will assume that only the expenses of the government agencies that are not funded from international sources are internal.

- **Taxes** are ways for financing the costs of public goods. There are direct taxes (on individual revenue) and indirect taxes (such as on purchases). It is common to finance by taxes the costs of goods and services that have positive externalities if they are not supplied enough by the private sector. The application of tax revenue for the provision of environmental goods and environmental services (i.e. clean drinking water) is increasingly considered.
- **Fines / fees:** Fines are monetary sanctions imposed for contraventions to a rule, regulation or law, whereas fees are applied to users of a service or good. Provided the appropriate fiscal framework is existent, they can constitute appropriate means to compensate for pollution, or for the use of a resource. For example, revenues generated by fines or fees may be used to finance conservation or rehabilitation of environmental resources.
- **Subsidies:** Subsidies are transfers from the government to producers that are intended to lower the price of a good or service, generally because they are considered to be in the public interest. Subsidies are usually used to encourage certain types and forms of industry. Correcting inappropriate subsidies or subsidizing sustainable practices and industries may constitute mechanisms to channel funding towards addressing land degradation or to create incentives for different land use or management.



## External Sources, Instruments and Mechanisms

External sources, instruments and mechanisms for funding include development cooperation programmes, grants and loans from bilateral or multilateral partners. They are usually based on a formal agreement between donor and recipient covering the amount and expected results for investment. These can be delivered along a number of modalities, including:

- **Budget support:** An increasing number of donors are channelling their development assistance to finance central budgets that are considered to be developed in a transparent way and to embody good governance principles. In certain cases, donors may earmark their assistance towards specific sector expenditures as expressed in a central budget. The advantage of this method of channelling resources is that country priorities, as expressed in national budgets, will be adequately supported, with low administration costs. In order to access such instruments, however, significant improvements in governance, including budget and fiscal reforms, may be necessary.
- **Sector-wide approaches:** SWAPs represent an intermediate step between targeted, sector-specific projects and budget support, whereby resources are targeted towards interventions in a specific sector, along with a set of sector-specific expected results. They also entail the formulation of sector plans and policies that embody the principles of good governance, and the pooling of resources from various domestic and international sources, as well as significant donor-coordination. The most common SWAPs related to SLM are those targeted at supporting agricultural policies.
- **Debt alleviation instruments:** Debt relief seeks to reduce the obligations that a government is expected to meet in future. Reducing the debt stock is aimed at increasing the resources available to a government to achieve policy objectives. Debt-for-environment schemes are agreements whereby a portion of a country's debt is written off in order to make resources available to finance environmental policies, particularly conservation.
- **Targeted programmes and projects:** Donor aid is often targeted at specific initiatives, whose objectives are agreed upon with the recipient government or organization. In most cases, the donor retains some management control over the implementation and results of the project, and some involvement in the daily run of project activities. Project-based aid can be financed through grants or loans and also include modalities such as small-grant schemes or micro-credit facilities.
- **Multilateral funds and mechanisms:** Multilateral funds and mechanisms are usually replenished from the pooled resources of their members. Each fund is governed by its own rules and procedures and uses various mechanisms to channel funds towards developing country recipients. Grants, loans, micro-credit schemes, as well as budget support and targeted projects are all used by various multilateral agencies.



- **Small grants schemes**<sup>15</sup>: Small grants are schemes whereby relatively small amounts of funds are provided to support catalytic interventions, or to support targeted activities led by community-based organizations. Their purpose is usually to ensure that some support is channelled towards the poorest or more marginalized groups to achieve targeted enhancements in their quality of life. Many small grants programmes are managed by large organizations, bilateral or multilateral funding agencies, and target specific themes of intervention. Attribution of funds is sometimes decided on a competitive basis, where local organizations are required to submit some form of project proposal.
- **Micro-credit**: Micro-credit has been hailed as a highly successful means of tackling poverty without resorting to grants. Microcredit is the extension of very small loans to the unemployed, to poor entrepreneurs and to others living in poverty who are not considered eligible for credit by financial institutions. These individuals lack collateral (for example property titles in cases where land tenure arrangements are uncertain) or steady employment. Because it helps individuals and communities develop alternative sources of livelihoods, in some cases, micro-credit can help reduce the dependency on natural resources, and hence help address environmental degradation.

## Market-based and Private Sources, Instruments and Mechanisms

- **Private investment**: There are various levels at which the private sector may be involved in sustainable land management. First, a broad range of private companies have investments and interests in natural resources exploitation in areas affected by land degradation, and they can vary in scope – from the family-based, informal enterprises to multinationals active in the country. For example, larger businesses, based on consumer pressure, may be driven to adopt socially and environmentally responsible means of production, and can contribute to awareness-raising or research; whereas smaller, locally-based enterprises can take the lead in managing local projects that have a direct link to local land users. In general, it may be easier to convince local businesses to participate in SLM because they might have a more direct interest in ensuring the sustainability of land as a primary resource. Private sector interventions may yield substantial financing sources if accurately guided, including through credit, fiscal measures or regulations.
- **Payments for ecological services**<sup>16</sup>: The basic principle behind Payments for Ecological Services (PES) is that resources users and communities that are in a position to provide environmental services should be compensated for the costs of their provision, and that those who benefit from these services should pay for them, thereby internalizing these benefits. PES schemes are usually adapted to the very specific conditions under which they are established and to the specific

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15. Small Grant schemes and Micro-credit facilities are not always externally-based mechanisms. They can be created and operated domestically, by public or private entities. The Grameen Bank is one example of a nationally-driven mechanism in Bangladesh (<http://www.grameen-info.org/index.html>).

16. Additional information on PES schemes, including tools for their development and implementation, can be found in the Environmental Economics Toolkit, produced by the GSU. See also: Unisféra International Centre, *Payments for Environmental Services: A Survey and Assessment of Current Schemes*, 2005 (available at [www.unisfera.org](http://www.unisfera.org)).

characteristics of markets for different environmental services (watersheds, biodiversity, carbon sequestration). The success of PES schemes depends in great part from pre-existing conditions. PES systems work best when services are visible and beneficiaries are well organized, and when land user communities are well structured, have clear and secure property rights, strong legal frameworks, and are relatively wealthy or have access to resources.

### Other Innovative Sources: Combinations

- **Carbon-based mechanisms and the Clean Development Mechanism:** Carbon-based mechanisms, or carbon finance, are designed to promote the reduction of greenhouse gases through different sorts of projects. Countries or organizations who wish to reduce their emissions at a lower cost may opt to develop projects in developing countries. Carbon finance is a hybrid between a regulatory approach (regulated limits on emissions) with a market-based approach. In addition to the Clean Development Mechanism under the Kyoto Protocol, a number of international organizations offer pilot programmes on carbon financing (World Bank, UNDP) with varying degrees of requirements for project development. Access to these mechanisms presupposes a certain number of conditions, including designated authorities enabled to emit certified emissions certificates, verification systems, as well as partnership agreements between countries or organizations.
- **Conservation easements** are a practice used to apply and enforce restrictions to preserve natural resources. They are agreements that allow a landowner to limit the type or amount of development on their property while retaining private ownership of the land. The easement is signed by the landowner, who is the easement donor, and the conservancy, who is the party receiving the easement. The conservancy accepts the easement with understanding that it must enforce the terms of the easement in perpetuity. Conservation easements are combinations of an intervention on property rights and fiscal measures such as tax breaks for environmental protection.



Additional information can be obtained from:

**UNDP-GEF HQ** (New York)

**UNDP Country Offices and Regional Coordination Units**



Sustainable Land Management  
— Portfolio Project for LDCs/SIDS —

**Global Support Unit**

Hans Eschweiler

Global Coordinator

SLM Portfolio Project for LDC/SIDS

UNDP, Pretoria, South Africa

email: [hans.eschweiler@undp.org](mailto:hans.eschweiler@undp.org)

<http://www.gsu.co.za/>



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