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GUIDELINES FOR MID-TERM INVESTMENT PLANS (MTIPS) FOR SUSTAINABLE LAND MANAGEMENT

Prepared for UNDP-GSU

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GUIDELINES FOR MID-TERM INVESTMENT PLANS (MTIPS) FOR SUSTAINABLE LAND MANAGEMENT

INTRODUCTION

Sustainable land management is increasingly 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 under the UNCCD that lacked grounding in broader country frameworks, and therefore went unimplemented.

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.

Medium-Term Investment Plans are tools 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). There are no established models for MTIPs, especially in the environment “sector”, hence the model proposed in this guide is adapted from work undertaken in the broader field of public expenditure management (namely Medium-Term Expenditure Frameworks) and Integrated Financing Strategies (developed by the Global Mechanism of the UNCCD).

These guidelines are intended primarily for Sustainable Land Management stakeholders within government agencies, 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 MTIP will be entrusted to a team comprised of a cross-section of these stakeholders, using a participatory process.

OBJECTIVES

The objective of these guidelines is to provide advice to countries in the production of Medium-Term Investment Plans for sustainable land management. Because there is no single model for MTIPs, the guidelines presented here are intended to be broad enough to be applicable to other sectors, but focus on SLM. In addition, these guidelines provide some advice on integrating sustainable land management into country frameworks as a condition for successful resource mobilization.

It is expected that MTIPs will constitute operational additions to National Action Plans under the UNCCD or other SLM policies. The aim of MTIPs is to provide an action-oriented anchor to ensure that SLM goals are achieved and supported by an adequate level of internal and international resources.

The guidelines are structured as follows:

Chapter 1 provides a basic overview of internal and external funding instruments, sources and mechanisms. **Chapter 2** suggests an approach for analysing the state of resources available to a country at a given time, as a first step in setting resource mobilization targets. **Chapter 3** recommends an approach to designing Medium-Term Investment Plans as companion documents to NAPs or SLM policies. Finally, **Chapter 4** contains indications of measures to implement elements of MTIPs.

The guidelines refer to a number of generic techniques, such as cost-benefit analyses, or institutional analysis. While it is beyond the scope of this document to provide guidance on using these techniques, additional guidance can be found in the Manual on Capacity Development for SLM, produced by the GSU.

KEY DEFINITIONS

Investment is used here in its broadest sense to include all expenditures, including operating costs. It also implies that resources spent on SLM are expected to yield a larger return or multiplied benefits.

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.

Throughout these guidelines, *funding sources, instruments and mechanisms* are explored without distinction, although they are different in nature. Sources can be understood as “points of origin” of funds (e.g. a bilateral donor), while mechanisms are means by which funds can be generated or channelled (e.g. a revolving fund).

Medium Term Investment Plans are conceived as (quasi) zero-based budgets and therefore include a resource mobilization component. Indeed, the starting point for an MTIP (unlike Medium-term Expenditure Frameworks) is an assumption that little or no resources are currently available for SLM. Based on this assumption, the development of an MTIP foresees a bottom-up, participatory and iterative

process for estimating future costs of programmes and activities that are intended to translate the SLM policy into practice and for identifying funding sources and mechanisms.

Hence the MTIP is conceived first as a **process** (analysis, priority setting and decision making), then as an **actionable plan** (for proactive resource mobilization), and third as a **framework for financial management** (including monitoring and evaluation).

Key features of MTIPs in the context of SLM

- Assumes that the envelope of available resources for SLM is not set or limited.
- Assumes that policy objectives for SLM are already set and approved by the government
- Represent a bottom-up, participatory process for making decisions on resource targets and for estimating future costs of SLM activities
- Proposes a proactive resource mobilization strategy
- Entails time-bound resource mobilization objectives, revised periodically based on an examination of results (rolling budgets)

Medium Term Investment Plans 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, MTIPs should be anchored in national budgeting processes and integrated into political decision-making on development priorities. One example would be to link the MTIP for SLM with the Medium-Term Expenditure Frameworks (MTEF)¹ that many countries are adopting as means to manage expenditures under their Poverty Reduction Strategy Papers (PRSPs). Because they function essentially in the same way, linking the two exercises could yield important synergies.

The main difference between MTIPs and MTEFs is that the latter functions on the basis of an expenditure ceiling – maximum amounts available for government expenditures on the basis of which priorities are set. Activities foreseen under the MTIP to mobilize internal resources will therefore have to take these ceilings into consideration.

¹ “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).

1. OVERVIEW OF FUNDING INSTRUMENTS AND MECHANISMS

This section provides an overview of the various sources of funding, in order to increase the reader's understanding of the array of possible sources of funding and mechanisms for channelling resources towards land management. This information will help feed into the stocktaking exercise (Section 2) so that it provides a complete picture of instruments currently in use in the country. In addition, this section provides avenues for designing comprehensive MTIPs that include an appropriate mix of domestic, international, public or private instruments.

1.1 INTERNAL SOURCES 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 these guidelines, 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.

1.2 EXTERNAL SOURCES AND MECHANISMS

External sources of 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 mechanisms, 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. 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 most 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.

1.3 MARKET-BASED AND PRIVATE SECTOR SOURCES OF FUNDING

- **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 services²:** 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 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.

1.4 CIVIL SOCIETY, CHARITABLE ORGANIZATIONS AND COMMUNITY BASED FUNDING MECHANISMS

- **Small grants schemes:** 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.

1.5 OTHER INNOVATIVE SOURCES: COMBINATIONS

- **Carbon-based mechanisms (CDM):** 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

² 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, full source.

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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.

2. TAKING STOCK OF AVAILABLE RESOURCES

The production of integrated investment plans or frameworks is intended to replace the more traditional project-based approaches to resource mobilization, by helping to adapt the sources of funding to programming needs and policy objectives. The development of MTIPs 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 sector investment as well as to increase public expenditures.

The first step in developing Medium-Term Investment Plans is naturally to take stock of existing resources and of the conditions that may affect the country's capacity to mobilize existing and new resources. The objective of this chapter is to provide some guidance to countries on obtaining a comprehensive portrait of existing financial, fiscal and economic planning frameworks (and of their consideration of SLM), as well as a better knowledge of available resources and mechanisms.

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 concept of resources to promote SLM has been limited to monetary resources, and often ignored the need to build on existing capacity and resources and increase the effectiveness of existing programs and projects. It is based on a comprehensive image of what is already in place that a country can determine if – and how much – additional resources and/or programmes are necessary.

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.

2.1 METHODOLOGY OVERVIEW

Assessments of existing resources 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 ongoing projects and programmes. Both domestic and external flows of resources should be considered during the stocktaking exercise.

A cross-sectoral public expenditure review 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 programs and SLM may remain unexplored. Public expenditure reviews can often become very complicated. It is therefore important to manage information and to have a clear picture of information needs.

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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 and interviews with key stakeholders and partners (governmental, NGOs, communities)

The following section explores the steps of a resource baseline analysis for SLM in more detail.

2.2 ESTABLISHING A RESOURCE BASELINE ANALYSIS

Assessing the resource baseline is an exercise best undertaken at the early steps of developing future SLM policy. It involves completing an inventory of available funding, investments, programmes and projects, as well as an analysis of factors that may influence future investments. This analysis of the legal and institutional context is also a recommended first step in the development of NAPs and other SLM plans.

2.2.1 ANALYZING INSTITUTIONAL AND LEGISLATIVE FRAMEWORKS:

In order to design successful MTIPs, a thorough understanding of the investment context is needed. This includes understanding of the national budgeting process, of the mechanisms for priority setting, country-level fiscal frameworks and priorities (e.g. debt reduction), as well as the laws governing domestic and international flows of resources. This analysis is best achieved through a literature review, with input from legal and finance specialists. This review should help answer the following questions:

- **National budgeting processes:** is there a law governing the type and timing of national budgets? How are budgetary decisions taken? How effective is the transfer of resources from central agencies to decentralized administrations? Has the government adopted the Medium-Term Expenditure Framework model for expenditure management?

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- **Country investment/fiscal priorities:** have country financial priorities been enunciated? Are there mechanisms for debt reduction? Is there a program of public investment? Are expenditures of the administration subject to ceilings?
- **Legal framework:** are there laws that govern agriculture and trade in agricultural products? What are the laws governing access to credit by small enterprises or the informal sector? Laws concerning the use of water? Environmental assessments requirements? What are the laws and customs governing public participation in decision-making?
- **Institutional framework:** what are the main organizations at national and sub-national level with land-related mandates? Are these mandates governed by legislation? Are there existing coordination mechanisms among the various levels?

Pertinent documents to review will include:

- Legal texts referring to public finance, including budget laws, laws on public finance and accounting
- Official Ministry of finance documentation regarding the budgeting process
- Official documents relating to approved or agreed budget allocations (for example, debt relief, public investment programs, national development frameworks)
- Legal texts regarding land tenure and property entitlements, and texts governing private financing (banks, etc...)
- Texts describing the mandates, functions and resources of the main organizations involved in SLM

Typical questions for an assessment of institutional and legal framework affecting SLM resources	Examples of answers
Are there laws related to land use or land management?	Yes, there is a forestry law, but it is not adequately enforced.
Is there a policy for decentralization?	Yes. However, decentralized budgets are not yet functional.
Are there rules concerning property of land?	Yes. There is a blend of public and privately owned land in the country.
Does the Ministry of Agriculture have a clear mandate and adequate resources?	Yes, its mandate is to promote environmentally sustainable agriculture, but it lacks resources to extend research and assistance to local communities.
Are there environmental safeguards for private sector investment (local or international?)	No, Environmental assessment is encouraged, but not required by law.

2.2.2 ASSESSING NATIONAL RESOURCE FLOWS INTO SLM

Based on the list of relevant organizations, a number of investigation techniques can be used to determine the level of funds allocated to SLM-related activities in the country. Ideally, the assessment should include financial, technical and human resources (the latter should be converted in monetary

values if possible). This exercise is closely related to the assessment of existing capacities which should also be undertaken in the first steps of SLM planning, and if possible should be conducted simultaneously.

Using the National coordinating body established for SLM planning and NAP development, and making sure to include non-governmental stakeholders, information gathering could take the form of a questionnaire, requesting respondents to list the projects, programmes and initiatives they are implementing, along with their costs and source of funding. This will ensure that resources flowing directly to the voluntary sector, for example, are not overlooked. It will also provide some insight in the financial management capacity of partner ministries and agencies.

Questionnaires should be addressed to the following stakeholders, as identified in the early steps of SLM planning :

- Ministries of agriculture, livestock, and rural Development
- Ministries of water
- Ministries of tourism or urban development
- Ministries of forests
- Provincial authorities, municipal authorities
- Community based organizations, NGOs
- Private companies

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
- Drought and climate prediction activities
- Integrated water resource management projects

2.2.3 ASSESSING INTERNATIONAL RESOURCE FLOWS INTO SLM

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.

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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, contact 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.

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 program?
- Does the donor have any pre-conditions to financing?
- Is the donor involved in any regional activities?
- What funding schemes does the donor use?

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 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
Australia	Focus on Asia Pacific countries	Contributions to NGOs and multilateral organizations
Canada	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
France	reduce poverty, finance economic growth and protect Global Public Goods	Micro-finance schemes, French Global Environment Fund
USAID	Agriculture, Democracy & Governance, Education & Universities, Environment, Global Partnerships	Balance of payment, budget support
UNDP	Crisis Prevention and Recovery, Energy and Environment, HIV/AIDS	Capacity development assistance, grants, Public Private Partnerships
World Bank	Public sector reform, governance, environmental sustainability	Loans, technical assistance, grants

Table 1: examples of international donors, priorities and mechanisms³

³ This table does not aim to provide accurate, or exhaustive information on donors and their priorities. Up to date

Remember to:

- Provide a clear definition of the types of projects and programs 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.

2.2.4 COMPILATION AND ANALYSIS OF INFORMATION

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 through the MTIP. Excessive reliance on one type or source of resources for SLM programming may hinder the mobilization of new resources.

and complete information is best obtained from donor agencies.

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Source	Type of investment	Amount	Start-End dates	Objective/Targeted Sector	Targeted geographic area	Implementing agency(ies)
UK	Loan	1 M \$	2005-2008	Forestry, rural livelihoods	Western district	Association of forest users
World Bank	Grant	10 M\$	2007-2015	Budget support	All	Ministry of finance
Central budget	Personnel	1M	Annually	Agriculture Research personnel	All	Ministry of agriculture
Central budget	Public investment	10 M	2009-2012	Coastal zone rehabilitation	East coast	Ministry of environment
AusAid	Small Grant	500 000	Annually	Food security	All	National WWF office

Table 2: example of compilation on existing sources of funding

3. DESIGNING AN SLM-BASED MID-TERM INVESTMENT PLAN

The objective of this chapter is to provide guidance on how to design a Medium-Term Investment Plan based on sustainable land management, using a consultative and participatory approach that enables efficient resource mobilization.

The construction of an MTIP aims at building a comprehensive resource package, while allowing for short- and mid-term planning as well as iterative revisions. The MTIP should therefore be seen both as a process and as an actionable plan. Elements of the plan will therefore include decision-making institutional structures, priority and target setting mechanisms, and results-based planning.

As mentioned earlier, MTIPs are theoretically zero-based financial planning tools, that is to say that it is assumed that there are no resources allocated for SLM in the country. However, this is almost never the case, as most countries have organizations, institutions and policies governing land use and land management. Therefore, in order to set achievable financial targets, a stocktaking exercise, as was seen in chapter 1, is necessary.

If the stocktaking phase occurs during the early phases of SLM policy development, the design of an MTIP can begin at different stages and there are various points of linkage between the policy process and the MTIP design process: for example, the analysis of policy options for SLM will almost always involve a cost assessment of applying different solutions. That being said, certain conditions have to be in place in order to design an effective MTIP:

- An approved sustainable land management plan or policy
- A process for mainstreaming SLM issues within broader policy frameworks.
- An established institutional structure for decision-making

NAP/SLM Planning		MTIP
Establish Coordination Mechanism (Stakeholder analysis)		
Environmental Stocktaking		
Institutional, legal stocktaking	↔	Stocktaking of available resources
Consultation on policy options and priorities		
Development of SLM policy/NAP	→	Costed policy options
Develop programmes and projects	→	Resource needs estimated
		Establish resource mobilization objectives
		Determine mix of instruments
		Mobilize resources
Implement programmes and projects		←
Monitor and Evaluate		

Table 3: linking NAP/SLM planning with MTIP

3.1 STEPS IN THE DESIGN OF MID-TERM INVESTMENT PLANS

STEP 1 – ESTABLISHING A STEERING MECHANISM

The first step in undertaking the design of an MTIP is to set up a supporting institutional structure that will assist in the coordination of information, and that will provide the basis for participatory decision-making on financial objectives and priorities.

In the case of sustainable land management, this structure can be largely based on the existing committees or National Coordinating Body established to develop the NAP. At a minimum, participation from the key SLM implementing government agencies, and especially the ministries of finance or economy, is required. However, in order to ensure broad-based consensus on priorities for funding, it is recommended that civil society and private sector participation be maintained.

The terms of reference of this group should also be clearly established, so that its mandate is legitimately recognized. It should also be given appropriate powers of decision and political support, to ensure that its recommendations are taken into consideration at the highest level.

If such a group already exists, it may be useful to clarify that each stakeholder may have to take on responsibilities for resource mobilization once the MTIP is designed.

STEP 2 - ESTABLISHING RESOURCE MOBILIZATION OBJECTIVES

In order to determine targets for resource mobilization, a number of conditions must be in place, starting with an approved SLM policy or a NAP that is broken down into operational programme objectives, and where implementation arrangements and responsibilities have been identified. Many NAPs already contain project profiles with cost estimates, but it may be necessary to also provide estimates of implementing policy reforms. In addition, it is recommended to develop a results-based breakdown of the various activities foreseen according to priorities, timelines, expected results and outputs. If this exercise has not been completed within the framework of the NAP, it is advisable to undertake it before designing the MTIP per se.

NAP priority 1: Curb deforestation						
Component 1.1 : address deforestation for charcoal production						
Sub-component 1.1.1 promote solar energy sources in 15 villages						
Activity	Output	Outcome	Timeline	Human resources needs	Programme funds needs	Other resource needs
Equipment	75 ovens bought	Communities equipped with alternative source of energy	Year 1	1 (government officer)	150,000	

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Training	15 community leaders trained	Communities are able to use alternative solar energy	Year 1	5 (trainers)	25,000	
Maintenance	Communities perform maintenance functions	Equipment is appropriately maintained	ongoing	15 community leaders	25,000	

Table 4: example of NAP activity breakdown with resource needs

Some consultation with key stakeholders should be undertaken in order to determine priorities, agree on resource mobilization objectives and to divide mobilization responsibilities. Determining priorities for resource mobilization may be a difficult exercise, particularly in the case of LDCs and SIDS, where the demand for resources exceeds what is potentially available. Establishing clear and rational criteria may provide an avenue for participatory decisions on resource mobilization priorities.

Criteria could include:

- Urgency of issue
- Link with broader country priorities (education, health, food security)
- Geographic spread
- Contribution to creating an enabling environment
- Practicability/Feasibility
- Cost-effectiveness
- Synergies and multiplier effects

Based on the priority list, resource mobilization objectives should then be broken down by task or activity, by year, as well as according to the type of resources needed if possible (human resources, infrastructure costs, programme delivery costs, etc...) This step is essential so that later, the appropriate mix of instruments and resources can be directed to the appropriate recipient. These objectives should then be compared to the assessment of available resources in order to determine gaps.

This task can be accomplished based on information provided by implementing agencies and stakeholders on the cost of implementing projects. The planning horizon may vary, but it should be remembered that priorities may need to be adjusted from year to year, and therefore that some provisions for revising estimates based on progress achieved and other circumstances is necessary. It is usually recommended to limit MTIPs to a 3 or 4 year rolling agenda.

STEP 3 - DETERMINING THE MIX AND ORIGIN OF RESOURCES

Once the targets are determined and the gaps become apparent, the development of the resource mobilization strategy can be initiated based on an assessment of the most appropriate mix of sources and channelling mechanisms. For each activity, a decision should be made on whether to rely on internal sources of funding or to mobilize “new” external sources of funding. The fundamental objective of this step is to devise a mix of sources and mechanisms that will provide sustainable support for activities over the long-term, while balancing the need for urgent intervention.

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As a general principle, interventions designed to address internal market forces should be financed from internal sources, while targeted interventions or additional costs can be reserved for external sources. Similarly, recurring costs are better attributed to internal sources. Therefore, deciding which blend of resources will be needed will depend on the level and quality of analysis of the various causes of land degradation in the country. For example, if the initial stocktaking exercise (undertaken at the beginning of NAP development) reveals that deforestation is encouraged by artificially maintained low local timber prices, a solution to this issue is not likely to be externally driven.

In addition, based on the assessment of existing resources, some thought should also be given to the possibility of reallocating internal resources, particularly if the government is investing in programmes whose objectives are related, but inconsistent with sustainable land management. This decision will require approval at the highest level, and will depend on the success of the mainstreaming process highlighted in section 4.1.

Taking the breakdown of NAP activities and resource needs prepared earlier (Step 2, table 3), it may be useful to indicate the possible points of entry for resource mobilization. At this stage, further analysis may be warranted to identify the obstacles to resource mobilization depending on the chosen source and mechanism. This analysis will help identify additional steps to be taken to be able to benefit from a given mechanism, or to identify mechanisms that are beyond the scope of possible sources.

NAP priority 1: Curb deforestation								
Component 1.1 : address deforestation for charcoal production								
Sub-component 1.1.1 promote solar energy sources in 15 villages								
Activity	Output	Outcome	Timeline	Human resources needs	Program funds needs	Total	Source	Mechanism
Equipment	75 ovens bought	Communities equipped with alternative source of energy	Year 1		150,000	150,000	Bilateral donor	Project aid, grant
Training	15 community leaders trained	Communities are able to use alternative solar energy	Year 1	5 (trainers)		25,000	Ministry of Agriculture extension officers	reallocation
Maintenance	Communities perform maintenance functions	Equipment is appropriately maintained	ongoing	15 community leaders	25,000	25,000	Local contribution	In-kind work contribution
Sub-Component 1.1.2 develop and implement a logging law								
Drafting	Text of law drafted	A regulatory framework for logging exists	Year 2	3 legal experts			Multilateral assistance	Technical assistance

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Promulgation	Official publication	Main actors are aware of new law	Year 2		10,000	10,000	Ministry of justice	In-kind
Enforcement	Regular inspection and administration of fines	Contraventions are addressed and fines	Ongoing	100,000	50,000	150,000	National police force + ministry of justice	Allocation of revenues from fines

Table 5: examples of NAP activities with resource needs and potential sources and mechanisms

Possible barriers to the mobilization of resources can have their roots in the legal, institutional, or fiscal and financial framework at country level, hence it will be important to include in the design of the MTIP any measures designed to facilitate access to internal resources. For example, in the above table, the national police force has been identified as a contributor to the ongoing monitoring and enforcement of the new national logging law. The costs incurred for additional inspections are to be covered from revenue generated from fines, administered by the Ministry of Justice. However, the overall fine administration system may be dysfunctional; systems may not be in place to allow for tracking of specific fines or for reallocation of revenues to a specific Ministry. Hence the MTIP should seek, to the extent possible, to address these underlying issues so as to maximize resource mobilization impact. In this case, creating separate accounts and processes to transfer fine revenue to the police force could be useful.

Potential barriers to resource mobilization and ways to address them		
Instrument	Example of Obstacle	Possible action
National budget	SLM not included as a country priority during national budget cycle	Undertake mainstreaming process
Private Sector investment	There are no incentives for private companies to adopt better practices	Regulation, tax credits
Taxes on polluting industry	The tax system is stretched, there is no registry of companies	Publish information in media, undertake tax collection system strengthening
International assistance	Development assistance priorities are decided in High Level discussions; SLM is not on the list of donor priorities	Undertake mainstreaming process; clarify the links between SLM and development impacts

Table 6: examples of barriers to resource mobilization

STEP 4 - RESULTS-BASED RESOURCE MOBILIZATION: FINALIZING THE DESIGN OF THE MTIP

While the previous sections dealt with the MTIP as process and planning framework, at this stage the MTIP has now become an actionable plan. Resource mobilization targets have been set according to planned interventions in the SLM policy or NAP and the readers should have an idea of where the

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resources may come from as well as the obstacles to mobilizing them. Planning the resource mobilization activities themselves is also an important aspect of the MTIP, so that results are achieved and built on, and that successive re-evaluations of needs may be conducted.

The Medium-Term Investment Plan should be organized according to a results-based approach, and linked to the activities foreseen in the national SLM policy or NAP. As mentioned earlier, the planning horizon may vary according to country specific conditions, but it is recommended to limit the MTIP to a 3 or 4 year planning timeline. The objective of having an MTIP as a rolling budget is to create conditions for sustainability. It should be noted that this will require the investment of adequate (human) resources to the implementation, monitoring and revision of the MTIP from key Ministries over the years.

The design of the MTIP may benefit from the establishment, in consultation with members of the coordination structure, of strategic objectives corresponding to the main priorities for resource mobilization – themselves aligned with the priorities of the SLM policy or NAP. Some attention will need to be given to the mobilization of resources that help create a systemic enabling environment and remove barriers for further interventions.

Following agreement on the strategic objectives for the MTIP, responsibility for each action should be clearly assigned to the various members of the coordination mechanism. Although the SLM focal point may have overall responsibility for coordinating the achievement of the MTIP, individual actions designed to mobilize resources may be assigned to other ministries, NGOs, or smaller teams within the larger structure. For example, each Ministry may be tasked with mobilizing resources it will later be in charge of implementing; or a smaller group comprised of the Ministries of environment and finance might take the lead in undertaking mainstreaming in order to mobilize resources from the national budget.

Of course, the implementation of the MTIP will entail costs. Some financial planning will be necessary in order to ensure that resource mobilization activities are supported by the appropriate amount of resources. Participating stakeholders may be required to each contribute working time, as well as some financial resources. Budgeting for the MTIP itself is therefore an integral component of the plan.

Finally, as mentioned earlier, because the MTIP needs to be revised periodically, the development of a Monitoring and Evaluation system for resource mobilization will be a valuable tool. Indicators should be developed that will help measure success in mobilizing resources, and that will ensure that resources dedicated to the implementation of the MTIP are efficiently spent.

The MTIP could be organized in three distinct parts, according to the process set up to this point:

- Part I could contain the results of the stocktaking exercise, as well as elements of the analysis of potential barriers to resource mobilization. It may contain both narrative elements and a database or spreadsheet listing available resources at a given moment. (see Section 2)
- Part II could contain the Resource objectives aligned to NAP activities as well as the choice of instruments. This part will need to be updated annually depending on results of the resource mobilization activities (see Section 3.1)
- Part III would consist in a resource mobilization strategy and action plan, including indicators. It is against this part that annual progress in resource mobilization would be assessed.

4. IMPLEMENTING THE MTIP - MOBILIZING RESOURCES

The objective of this chapter is to build country stakeholders' capacity to implement the resource mobilization component of their MTIPs. It is assumed that MTIPs contain provisions for mobilization of both internal and external resources, and that targets have been set according to the NAP or SLM policy priorities. Mobilizing resources will entail action along 4 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.

4.1 SETTING THE ENABLING FRAMEWORK FOR RESOURCE MOBILIZATION

As mentioned earlier, the analysis of potential barriers to resource mobilization undertaken during the design of the MTIP 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 MTIPs.

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).

Although there are a number of models proposed for mainstreaming, all of them suggest the following common steps⁴:

⁴ These are a much simplified summary of a mainstreaming process which is described in more detail in various documents, namely the Generic Guidelines, produced by the UNDP Drylands Development Center, the DIFS produced by the Global Mechanism of the UNCCD.

STEP 1: IDENTIFYING ENTRY POINTS

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. For example, Poverty Reduction Strategy Papers are developed along a set timeline, and offer specific milestones and entry points; similarly, 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.

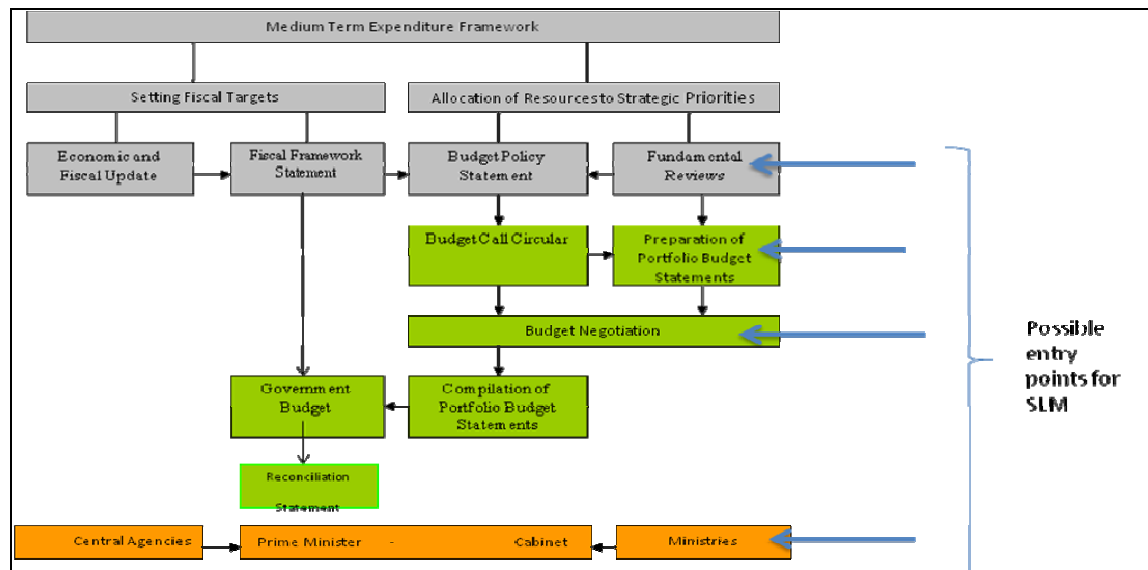
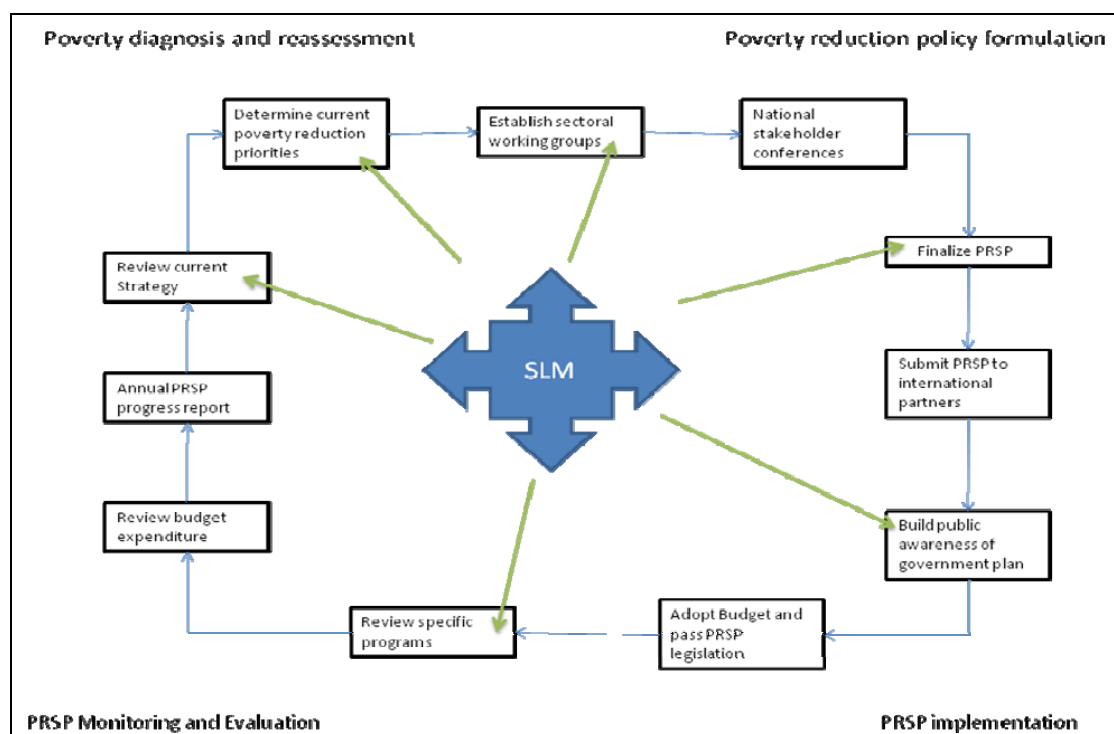


Figure 1: possible entry points for SLM in the MTEF process⁵

⁵ Adapted from World Bank, *What is MTEF?* By Serif Sayin.

Figure 2: PRSP cycle and possible entry points⁶

This step also requires identifying decision-makers and potential partners in the mainstreaming process. Often times, 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, some partnership-building, coordination and lobbying may be necessary at the outset.

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 Ministries	Line Ministries
	At programme/policy implementation	Decentralized administration
Sectoral Policies and Programmes	At programme evaluation	Sectoral agencies

Table 7: Examples of entry points and partners for mainstreaming

⁶ Adapted from World Bank, Parliaments and the PRSP process, add full quote.

STEP 2: GATHERING AND DISSEMINATING ANALYTICAL INPUTS

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

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

While much of the analysis will have been accomplished during the initial phases of SLM policy planning or NAP development, some supplementary information may be necessary. In some cases, the development of specific information products may be warranted to assist with the mainstreaming process.

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

4.2 MOBILIZING INTERNAL RESOURCES

The mainstreaming process highlighted briefly in Section 4.1 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 targets appropriate resources to addressing them within existing systems. However, there exist a variety of other internal sources and mechanisms that may be accessed to finance SLM initiatives.

4.2.1 FISCAL/ECONOMIC INSTRUMENTS

In the context of an MTIP, fiscal instruments can be identified as possible courses of action for mobilizing internal sources of funding. In certain conditions, economic or fiscal instruments can help provide incentives for SLM or discourage certain unsustainable forms of land management. The review of instruments provided in Chapter 1 provided brief definitions of taxes, fees and subsidies in general. In some cases, their creation and deployment entail broad-based reforms that may be beyond the context of an MTIP, whereas in other cases, basic conditions are in place (or the reforms are already underway). In any case, 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 to 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

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

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.

A key question that may help guide the choice of instruments for SLM is: “What/Who is the cause of land degradation”? In the case of the subsistence farmers, SLM can be encouraged by addressing property rights issues (for example, granting property titles subject to sustainable land management practices). Local micro-credit schemes that help land users diversify their sources of livelihoods can also constitute incentives. Where large corporations are the “culprits”, land-use fees, taxes and permits can provide avenues for redress, or fines accompanied by appropriate regulatory measures.

4.2.2 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 obtain⁷.

⁷ <http://www.ifpri.org/divs/eptd/dp/papers/eptdp113.pdf>

Spectrum of Possible Relationships between Public & Private Environmental Service Providers

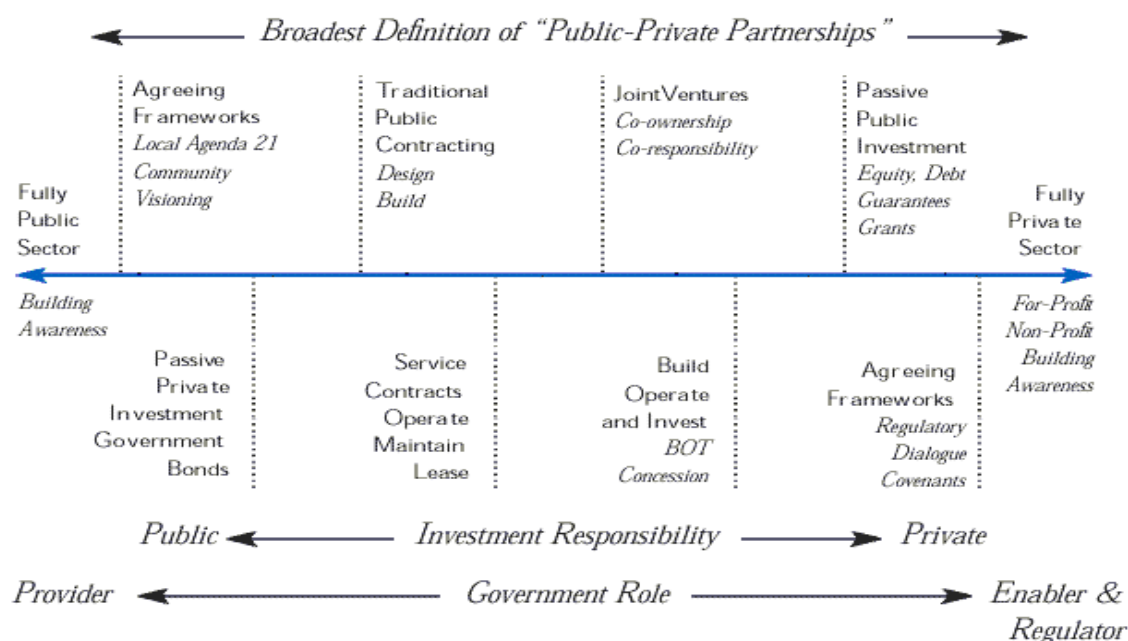


Figure 3: types of public private partnerships⁸

4.2.3 DEDICATED FUNDS

The creation of dedicated environment or Desertification funds has been recommended in some cases, under the framework of multilateral environmental agreements and frameworks. 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

⁸ From UNDP, Public Private Partnership for the Urban Environment, <http://pppue.undp.org/index.cfm?module=ActiveWeb&page=WebPage&s=what>

- Tax revenue, or revenue from fines and charges
- External resources (grants or loans)
- Expatriate funds and remittances
- Voluntary private contributions (charity, or through NGOs)
- 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.

4.3 MOBILIZING EXTERNAL RESOURCES

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 highlighted in Section 2, 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.

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 programs are developed much later in the process. Hence, ensuring that SLM is included among the donors' priorities for your country will require some 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 bilateral 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 country development frameworks (mainstreaming)

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 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.

4.4 MOBILIZING INNOVATIVE SOURCES

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 MTIPs, 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 these guidelines. However, a number of steps are recommended when opting for innovative financing as part of a MTIP.

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.

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 program and directly invests in it as well. Examples include:

- Permanent conservation easements
- Contract farmland set aside for conservation
- Programs 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.

(Box from GM, Manual on Developing Integrated Financing Strategies, 2007)

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 required to implement (individual, financial, infrastructural)
- Extent of required systemic changes
- Complementarity to other mechanisms
- Required time for development and implementation
- Amount of resources generated

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 research undertaken in step 1 should reveal these necessary accompanying measures. For example, the Clean Development Mechanism 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.

5. CONCLUSION

6. ANNEXES

7. REFERENCES