



REPORT ON THE INTERNATIONAL WORKSHOP ON THE COST OF INACTION AND OPPORTUNITIES FOR INVESTMENT IN ARID, SEMI-ARID AND DRY SUB-HUMID AREAS

Rome, 4-5 December 2006 – FAO Headquarters

SUMMARY OF MAIN CONCLUSIONS

The workshop was organized in the context of the International Year of Deserts and Desertification by the French Scientific Committee to Combat Desertification (CSFD), together with the French Ministry of External Affairs, the Global Mechanism of the United Nations Convention to Combat Desertification (UNCCD), IFAD, the United Nations Food and Agriculture Organization (FAO) and the Italian Ministry of External Affairs. Support was provided by the World Bank, the French development agency, the German technical cooperation agency and the Sahara and Sahel Observatory (OSS).

Opening remarks were made by Mr. Hama Arba Diallo, Executive Secretary of UNCCD, Mr. Matthew Wyatt, IFAD Vice President, Mr. Christian Mersmann, Managing Director, UNCCD Global Mechanism and Mr. Marc Bied-Charreton, President of CSFD.

The workshop brought together in Rome 80 people from very different backgrounds with diverse competencies from the North and the South: representatives of ministries and development agencies, international organizations, scientific institutes and universities, the private sector and producers' organizations. A series of brief presentations and discussions among these people from different sectors and educational background made for a very fruitful exchange on the question of the costs of inaction in combating desertification.

The presentations and exchanges focused on the economic and social costs of land degradation and ways of measuring them, on economic rates of return on projects in arid areas and on success factors and/or bottlenecks in supply chains from producer to consumer.

It was noted that rates of return can be as high as 30%, and that economic losses on degraded land could be as much as several percentage points of GDP per annum.

The countries of the South underscored their need for operational methods to quantify economic losses on degraded land at the national level and to perform cost-benefit studies. It was also recommended that the relationship between the degradation of natural resources and increased poverty and migration be explored.

Generally speaking, participants agreed that, beyond the biophysical dimensions of land degradation and desertification, it was necessary to reason and argument globally to plead the cause of development for drylands and those living on it.

It was demonstrated that losses in natural capital entailed losses in other kinds of capital that are indispensable for sustainable development. When land is degraded, expertise is diminished, poverty increases and human and social capital are eroded as well, catching people in a poverty trap from which it is very difficult to extricate themselves.

The workshop also showed that investing in drylands is economically, socially and environmentally profitable. Stable public policy is needed to underpin investment, in the form of legislation, secure land tenure, price stability, education, health care and civil peace.

Participants fervently hoped that a ***new line of reasoning*** could be developed, taking into account all the components covered by the workshop, in order to persuade decision-makers nationally, in bilateral and multilateral cooperation agencies, and in producers' organizations and the private sector ***to invest in drylands. Delegates from cooperation agencies indicated that they would support cost-benefit studies for projects under way and would share methods and results.***

It was recommended that ***an international network on the cost of inaction*** be set up to link all the actors having met at Rome. The workshop's organizers would by the end of January forward to the participants, and to those having expressed a wish to join, the network's terms of reference, the texts of workshop presentations, reports by the rapporteurs and a summary of discussion and main conclusions. ***In the longer term, a corpus of texts on cost evaluation methods and the major findings of studies now being done would be distributed in the form of a CD.***

SUMMARY OF DISCUSSIONS

WORKSHOP REPORT 1: “THE COST OF INACTION: MACROECONOMIC AND SOCIAL COSTS OF DESERTIFICATION”

1 – THE SOCIAL COSTS OF DESERTIFICATION

Participants adopted the recommendations outlined below:

The concept of migration suffers from a lack of definition that ought to be resolved before devising common solutions, regardless of their nature. Migration must be considered from a more optimistic perspective if decision-makers are to be persuaded. Migration should be approached as a human development issue rather than strictly one of security.

To promote a better understanding of the migration phenomenon, it must be considered under a comprehensive point of view. It is therefore necessary to:

- Perform an in-depth analysis of the linkages between forced migration in the wake of a crisis (climate events or conflicts), economic migration (to seek better living conditions) and poverty;
- Promote attenuating forced migration by developing local approaches based on solidarity and cooperation at various levels (international, South-South, North-South and North-North action);
- Draw up an inventory of knowledge and up-to-date data on migration mechanisms in arid areas, covering rural exodus, trans-Saharan migration and international migration;
- Better understand the linkages between degraded natural resources and migration, as in exploring the role played by land degradation and poverty in migratory flows;
- Analyse the impact of migration on rebuilding Saharan areas, to come up with sound arguments to persuade decision-makers;
- Consider creating a research centre to develop and study the relationship between desertification and migration, evaluating post-migration situations in particular;
- Give priority in resource allocation to improving living conditions in arid areas rather than combating migration.

In conclusion, regardless of the approach taken to highlight the linkages between migration and desertification, the need to come up with well-founded, persuasive arguments to build conviction among decision-makers must not be neglected.

2 – MACROECONOMIC COSTS OF DESERTIFICATION

Recommendations

It is common knowledge that drought and desertification have an adverse impact not only on the environment but also on the economy and thus on society as a whole. The question is whether all elements of this impact have been identified and quantified.

In response to this question, participants looked at the macroeconomic cost of desertification in particular. The discussion covered mainly the impact of desertification and soil degradation locally as well as at a distance, on the national and global economy – in other words, the cost of inaction.

The presentations made during the workshop illustrated the results of recent studies done by different organizations and researchers at different times, with different objectives and using different data. Unsurprisingly, the results are very different as well; nor was there much exploration of off-site impact.

Given this lack of a sound, complete and homogeneous methodology for analysis, participants wondered whether the international community might not better identify the macroeconomic costs of desertification. The answer was yes, since this would favour: (i) raising awareness of the importance of the problem of desertification and soil degradation and, as a result, (ii) political processes at every level, better informing responsible officials about the range of measures to adopt and the response level desirable.

To this end, the participants recommended that the scientific community join forces to prepare a common framework for a **comprehensive evaluation of the impact of desertification**. The framework should be designed so as to enable the countries to measure more accurately and systematically both positive and negative impact locally and at a distance.

To promote an improved awareness of the advantages of action, it was suggested that the cost of inaction be quantified in terms of opportunity costs or revenue losses. It was also proposed that macroeconomic impact be expressed not only as an absolute value (e.g. in US dollars) but also in relation to other economic indicators such as gross domestic revenue (GDR) or gross domestic product (GDP), and in terms of gross global product (GGP). The latter would encompass not only the aggregate impact of desertification at the national level, but also off-site, cross-border or trans-regional impact.

Participants suggested that, in order to contribute to preparing this operating framework, pilot activities take place on relatively small areas (projects, for example) to provide reliable data and facilitate modelling and verification. Based on the results of these pilot studies, an attempt could be made to come up with national or global projections. It was noted, however, that estimates, averages and projections based on results obtained in a particular locale would be very approximate and might lead to gross oversimplification.

Completing the recommendations, a number of support measures were proposed, such as:

- Use a results-based approach;
- Build capacity for macroeconomic evaluation in the countries concerned;
- Set up and maintain reliable databases and systems for monitoring and evaluation;
- Strengthen networks within the scientific community (through the inclusion of economists);
- Disseminate and promote existing knowledge.

WORKSHOP REPORT 2: “Economic rate of return and opportunities for investment”

1. ECONOMIC RATE OF RETURN

Recommendations

The presentations and discussions on analysing rates of return on investments in projects to combat desertification led to a general consensus on the need to:

- Analyse current methodologies and identify their limitations. In particular, results are contingent upon specific contexts and should not be generalized.
- Go beyond simply biophysical evaluations to quantify the off-site, economic, institutional and social impact of projects to combat desertification.
- Give consideration to the time needed for operations to evaluate return on investment such that they are scientifically valid.
- Better understand the factors contributing to project success, differentiating macro (land tenure, market access) from micro aspects, and share them;
- Analyse the organizational components of project that explain their success or failure, taking all stakeholders into account.
- Clarify the role of decentralization in moving from the project scale to a vaster area.

It was also noted that:

- Land degradation is a current issue above all for the countries of the North, and large private-sector groups are investing cutting-edge resources such as drought-resistant species; hence the need for public development aid to cover these issues as well.
- There is a lag between when cost-benefit findings are produced and when they are taken into account in policies by national decision-makers and donors.
- Investments in combating desertification are not sustainable without robust social organization.

Against this backdrop, the following questions arise:

- How to design analytical grids:
 - Cutting across social, environmental and economic contexts?
 - Valid at different scales and with different timing?
 - Extending beyond donors’ strategies at a particular juncture?
- Policies to provide aid and implement projects follow fashions and change from time to time. How can successes in previous projects be replicated? This underscores the issue of who will take over from the project locally.
- Are the successes, including those supported by quantitative studies, sufficient to make decisions on policies and donors? If not, what else is needed to make a convincing investment case?

- Finally, can work be done to combat desertification without explicit mention in integrated rural development projects, or must specific objectives be included?

2 – OPPORTUNITIES FOR INVESTMENT

Recommendations

A number of case studies were presented, all of which appear to be successes. All of the experiences presented are based on participatory, agro-ecological approaches and have to do with equitable supply chains. In most cases, they are one-off experiences in connection with a particular territory.

Based on the presentations, the linkages between combating desertification and commercialization were discussed. Three points were highlighted:

- The need for producers to forge strategic partnerships among themselves on a meaningful scale, to better take advantage of market conditions and gain access to information needed for production; capacity-building and organization needed to this end.
- Identifying and setting up commercial supply chains for specific products in arid areas has enabled resources to be better managed; an understanding of the services provided by ecosystems can lead to their being more highly valued; commercial value can boost ecological value and can lead to the establishment of social and even cultural mechanisms for protecting resources.
- On the other hand, an infatuation with a particular supply chain on the part of producers can have adverse effects, such as the overuse of natural resources, competition between different actors and regions of the world, and limited opportunities for local populations to access finished products as local prices rise.

Through these successful experiences, two main recommendations and several questions were formulated for research:

- Perform a preliminary inventory and survey of various experiences carried out in arid areas, analysing any problems and positive knock-on effects.
- Further explore the potential of remittances and how they can translate into productive investments in the rural economy, as well as their sustainability, in particular the inter-generational issue.
- What are the stages involved in setting up a supply chain, and in moving from the national to the international scale?
- What are the needs in terms of building capacity among producers to do so?
- What is the likelihood of moving to a larger scale of production for these local initiatives based on the same principles?
- How to identify constraints on global markets and competition, differentiating them from national and local constraints?
- What public policies would be needed to expand these initiatives: an enabling legislative, fiscal and commercial framework, labelling policy, etc.
- Finally, how should investments in these sectors by donors and private parties be guided?

GENERAL DISCUSSION ON REPORTS

ADOPTION OF REPORTS

The general discussion underscored several points raised in the reports adopted:

- With regard to migration, it is important to **have a solid grasp of the triggers of population movements**; to this end, the starting point is a **baseline**, then **an in-depth exploration of the relationship between land degradation, increasing poverty and migratory flows**; then consider ways of attenuating them, beginning with an improvement in living conditions in areas at risk. The conclusions of the Almeria colloquium have yet to be implemented (for instance, a specific research centre on this issue);
- With regard to investment costs and opportunities, those present recognize that they are not yet well known but that **data and methods that can be used at the national level are needed**. In any case, identifying costs and success stories is not enough: they must be rounded out by specifying contexts in search of convincing arguments. Nor should other common issues be neglected, such as land tenure and water availability;
- It was recalled that the societies at risk have values to defend and comparative advantages to be developed, as mentioned in the Montpellier's Appeal.

RESULTS OF THE ROUND TABLE

The round table provided an opportunity for several donors and a private-sector representative to express themselves. It was followed by a lively discussion on the participants' expectations of the workshop.

GTZ (German technical cooperation agency) presented its approach to analysing investment planning at the national level, based on changes in land use and resource use (water, vegetation, soil, considered as commodities) following adaptation, seeking to perform economic evaluations of natural resources and to justify the use of public aid. The agency asked for the results of workshop discussions to be transmitted to the Intersessional Intergovernmental Working Group (IIWG) and the Convention's Committee on Science and Technology (CST).

The Swiss cooperation agency representative recalled that decision-makers have multiple priorities such as civil security and energy supply, and wondered how our arguments could have any impact on them. She saw two obstacles: a lack of interest in rural and local development on the part of countries, and the fact that weaker ministries such as environment ministries were unable to coordinate actions such as integrated land management. She felt that the focus should be on land management rather than combating desertification, not a compelling term. She also felt that capacity-building was needed.

The French Development Agency (AFD) representative made a very eloquent presentation on the need to take into account natural capital, one of the pillars of sustainable development. Investing in natural capital yields an economic return but also a high social return. Public aid priorities should therefore be rebalanced to assign the proper role to natural capital, without which the other kinds of capital will be degraded after a certain irreversible threshold is reached, which varies case by case. AFD is prepared to conduct cost-benefit analyses as needed to better substantiate this position.

The President of the National Agro-Industry Federation of France recalled that, in arid and semi-arid regions, when agronomic insecurity reaches a range of between 1 and 1.5, income insecurity will be between 1 and 3. Sustainable public policies are therefore needed, along with stability in fiscal matters and agricultural prices, as well as land tenure measures that could include privatization and biotechnological research on drought resistance. He noted the small size of markets in the countries concerned and called for action on intellectual property, labelling and quality.

The ensuing discussion raised those issues of greatest concern to ensure an enabling environment for investment in arid areas, including highly degraded areas. These issues are part of the overall question of how to develop common arguments that all those present could use in order to:

- Promote a stable legal and institutional environment in the countries,
- Come up with institutional innovations to manage contradictions among priorities set,
- Research specific markets and opportunities for countries in arid areas,
- Arrive at a better balance between supply and demand for development aid, particularly from farmers,
- Move from focusing on stocks to focusing on flows.

FINAL CONCLUSIONS

At the end of the workshop, five sets of proposals were put forward:

1 –Methodologies

- The urgent need to determine the costs of inaction in each country at every level (local, national and regional);
- The importance of cost-benefit studies to support the argument for investing in sustainable land management. To this end, it is necessary to harmonize methodologies and design tools for analysis that encompass the social, environmental and economic contexts. These methodologies must be valid at various scales, times and places. These instruments should also include key elements contributing to past successes, differentiating macro from micro issues.

2 - Communication

- The need to develop an efficient, clear and complete communication strategy with concrete arguments on various types of support, and disseminate it to all stakeholders in the form of information packages, CDs, a dynamic Web site on knowledge management in sustainable land management, successful experiences, success factors and guidelines for aligning all sectors of development.

3 – Capacity-building

- Needed at the local, sub-national and national levels, on institutional, technical and organizational issues.

4 - Policies

- Reduce the lag between when economic studies are available and when they are taken into account by decision-makers.

5 – Exchanges of information and expériences

- Set up an international network on the costs of inaction.

The participants recognize:

- **The interest of the concept of costs of inaction**, and ask for methods to be put forward to assess national-level costs so that States can perform their own estimates;
- **The need to revisit priorities**, in view of the need to invest in arid and semi-arid areas, which yields returns economically, socially and environmentally.

They agree that the following measures are needed:

- **Comprehensive arguments** in terms of resource management, including water and land tenure issues;
- **Cost-benefit analyses** of different sites, capitalizing on the results of success stories;

- A **shared framework** to synthesize and disseminate the results of cost-benefit analyses and success stories;
- **Holistic approaches** and inter-disciplinary linkages to make research more effective;
- Training for *farmers and managers of producers' organizations* and supply chains.

They underscore that:

- **Local stakeholders can represent themselves** and their situations and can conduct monitoring and evaluation activities themselves;
- **Stable public policies** must accompany any action by private operators;
- **Public/private partnerships** should be set up to pay for environmental services, rehabilitation of degraded space and prevention of further degradation.

On the question of creating an international network on the costs of inaction, the workshop organizers propose the following terms of reference:

Network goals:

In the short term:

- Organize dissemination of workshop results as indicated in paragraph 2;
- Organize dissemination among network members of all existing studies on the economic and social costs of land degradation and desertification, both published and unpublished;
- Organize dissemination among network members of existing studies on economic rates of return and success stories;

In the medium term:

- Analyse current methodologies and propose one or more that could be applied at the national level so that States may conduct their own evaluations of the costs of inaction;
- Develop a common line of reasoning (national public decision-makers, donors, operators and stakeholders in development) in favour of investing in arid areas.
- Compile the proposals put forward at the start-up workshop on cost-benefit analysis (World Bank, French Development Agency, Permanent Inter-State Committee for Drought Control in the Sahel), follow their evolution and disseminate the results;

In the long term:

- Propose further cost-benefit analysis, propose research to improve studies on the costs of inaction, assist in seeking financing and actors to perform research;
- Develop a common line of reasoning (national public decision-makers, donors, operators and stakeholders in development) in favour of investing in arid areas.

To ensure dissemination of the workshop results, the workshop organizers propose several kinds of products and dissemination to take advantage of opportunities in connection with, for instance, the Convention to Combat Desertification:

- **Drafting of a summary note** for participants in the Algiers conference (19 and 20 December 2006) to end the Year of Deserts and Desertification;
- **Drafting of a note for the newsletter** of the Global Mechanism in December 2006;
- **Drafting of the workshop report**, in French and English, available in mid-January 2007 to States members of IIWG (Germany, European Union President), with the list of participants; this report will be produced jointly by CSFD and the Global Mechanism, which will translate it in early January; it will be distributed to all participants and all those having expressed a desire to receive it;

- **Production of a CD** containing all the texts used in workshop preparations and all communications during the workshop: the basic workshop document, various studies on the cost of land degradation, report on investments by the Global Environment Facility/Global Mechanism, and so on. This CD will be produced by CSFD with support from IFAD and the Global Mechanism as well as assistance from Florida Atlantic University in compiling the studies;
- **The workshop CD and report will be distributed more widely on the occasion of the session of the Committee for the Review of the UN Convention to Combat Desertification (CRIC) to be held in Buenos Aires (March 2007) and the Conference of the Parties to the United Nations Convention on Biological Diversity to be held in Madrid (October 2007);**
- The basic document “Investing in Arid Areas” and the workshop report will be included in **CSFD Working Paper N° 6**, in French and English, and published in the course of 2007 accompanied by a one-page (A4 format, double-sided) summary.

In conclusion, all the participants appreciated the quality of the exchanges, in particular because of the broad diversity of skills and backgrounds, and wished to have an opportunity for further discussion.

The workshop ended with concluding remarks by Ms. Estelle Godart of the Ministry of External Affairs of France and Mr. Christian Mersmann, Managing Director of the Global Mechanism.

Ms. Godart indicated that she was convinced of the importance of developing a common line of reasoning in favour of investing in drylands, as well as the need for multidisciplinary and multidonor approaches. She commended the workshop’s organizers and said that France’s Minister of External Affairs was prepared to make further use of the workshop’s conclusions and follow up.

Mr. Mersmann expressed his gratitude to the organizers and welcomed the strategic and macroeconomic arguments developed, as well as the benefits of the actions undertaken and willingness to explain the importance of investing in drylands.