

**Building an enabling environment for increasing investment in  
Sustainable Land Management through Market Access and Trade**

**31 January – 1 February 2007**

**Geneva, Switzerland**

**Final Report**

**Introduction**

The Global Mechanism (GM) of the United Nations Convention to Combat Desertification in Countries Experiencing Serious Drought and/or Desertification, particularly in Africa (UNCCD) and the International Centre for Trade and Sustainable Development (ICTSD) organised an exploratory dialogue on Building an Enabling Environment for Increasing Investment in Sustainable Land Management through Market Access and Trade in Geneva on 31 January and 1 February 2007. The dialogue brought together a wide range of experts and government officials, representing the development, environment and trade communities as well as the donor community, the private sector, civil society organizations and representatives of the Secretariats of other Multilateral Environmental Agreements (MEAs).

The main purpose of the dialogue was to explore the opportunities for increasing investments in sustainable dryland management through market access and trade. Specifically, the dialogue was organised to discuss ways of promoting investment in sustainable land management (SLM) through market access and trade in the context of the new financial architecture and resource allocation patterns for development and poverty reduction.

The specific objectives were:

- to generate knowledge for a better understanding of the types of direct and indirect linkages which exist between trade and land management in dryland regions and degraded areas;
- to engage stakeholders from various communities in moving forward a positive agenda for promoting SLM through trade and markets; and
- to set in motion processes of further engagement in the mobilisation of knowledge, and political and financial resources to enhance trade and market opportunities that could support SLM.

The sessions of the dialogue were chaired by different participants and **Dr. Francis Vorhies** of Earthmind acted as the rapporteur for the dialogue and the finalisation of the report. Please refer to Appendix 1 for the agenda of the dialogue and Appendix 2 for the list of participants.

### **Opening remarks**

The meeting was opened by the Chief Executive of the International Centre for Trade and Sustainable Development (ICTSD) and the Managing Director of the Global Mechanism (GM). Their welcoming remarks were followed by a round of introductions by the participants.

Ricardo Meléndez-Ortiz, the Chief Executive of ICTSD, set the focus for the dialogue by noting that drylands cover 40 percent of the earth's land surface and are home to more than 2 billion people, many of whom are living in rural areas in developing countries. Land degradation is potentially the most threatening ecosystem change directly impacting the livelihoods of people living in drylands. Trade can be a cause or driver for land degradation in certain situations. International trade regimes and related government policies can affect directly or indirectly the resilience of dryland ecosystems by raising agricultural production for exports.

Many of the opportunities for generating further investment for SLM and rural development depend on the success in reforming the current distortions in global agricultural trade. Also opportunities abound within the international trade regime, which could provide a new dynamic to export products of interest to dryland regions. It is essential that the Member countries of the World Trade Organisation (WTO) give particular importance to achieving progress in their Doha Round negotiations. The sustainable development implications, including those particularly related to enhancing SLM, will need to be highlighted.

Christian Mersmann, the Managing Director of the GM, explained that drylands and lands that are experiencing draught are of particular concern to the 191 parties of the UNCCD. He noted that the GM was especially interested in developing opportunities for marketing surpluses arising from dryland subsistence production systems and to show that subsistence production systems are of relevance to a country's macro economy and its development.

Mr Mersmann further explained that the GM was organising this dialogue in partnership with ICTSD to provide guidance for development cooperation support to rural communities and households to reinvest in land resources in order to sustain rural livelihoods. Notably, in the context of financial

resource allocation at the country level it is important to understand and promote the positive links between trade, SLM and development.

### **Session 1: Agricultural Production, Trade and Sustainable Land Management: Opportunities and Constraints under Present Trade Regimes**

This session focused on current international trade patterns and related production systems in drylands and their implications for SLM. It examined opportunities and constraints for promoting sustainable use and management of land and natural resources under the present trade regimes at international, regional and national levels.

Overall, the dialogue helped to improve the participants' understanding of where opportunities might be found for promoting SLM. The presenters and the subsequent discussion addressed the following set of key questions:

- What are the agricultural trade and production patterns in dryland regions?
- What are the implications of different agricultural production patterns for land management in these regions?
- What are the implications of the international trade regime on production patterns in dryland areas and on land degradation? Is the international trade regime supportive or detrimental for promoting the sustainable use of natural resources?
- What are the instruments and tools under the multilateral trade regime (WTO) influencing SLM and how can we take advantage of these (for example: agricultural subsidies, special products, environmental goods and services) for promoting SLM?
- What are the opportunities and constraints for promoting SLM under regional and bilateral trade agreements? How can we take advantage of the opportunities?

The session, which was chaired by Mr Meléndez-Ortiz, included presentations by:

- Moustapha Kamal Gueye, ICTSD;
- Simon Rietbergen, IUCN-The World Conservation Union;
- Jonathan Hepburn, ICTSD; and
- Claudia de Windt, Organization of American States (OAS).

**Mr Gueye** presented a study on agricultural trade liberalisation and poverty in rural drylands which has been undertaken by Karel Mayrand, Marc Paquin and Stéphanie Dionne of Unisféra, the Canadian-based centre of expertise on sustainable development. This study looks at the

interconnections among agricultural trade liberalisation, land degradation, and poverty in the world's rural drylands. It seeks to better understand the implications of the Doha Round of the WTO on UNCCD implementation and the attainment of the Millennium Development Goals (MDGs), and to derive policy implications to improve coherence among agricultural trade, poverty alleviation, and land management strategies, with a specific focus on activities to combat desertification under the framework of the UNCCD.

Mr Gueye explained that the study shows that trade alone is not conducive to SLM and rural development. It involves risks and opportunities. The outcomes of trade liberalisation depend in great part on the policy mix adopted by countries. The conditions are not currently in place to maximise gains and avoid perverse effects on land degradation and poverty. Therefore, there is a need for more research to build our understanding of the trade/land degradation relationship; to build developing countries' capacities to negotiate trade agreements that are effective and sustainable, especially in agriculture; to promote a recognition of the special conditions of drylands as vulnerable ecosystems that warrant careful attention in trade negotiations; to encourage efforts toward prior assessment of potential effects of trade; to build developing countries' capacities to adopt SLM policies, laws and regulations in order to adapt to the new pressures and constraints associated with agricultural trade liberalisation; and finally to develop ongoing dialogues with stakeholders, especially the private sector, which needs to be engaged.

**Mr Rietbergen's** presentation focused on the importance of mobile pastoralism (i.e. not ranched) for SLM in drylands. With the increasing demand for livestock products – meat, fibre, and dairy products – both in developing and emerging country markets, the promotion of pastoralism can be a win-win opportunity for drylands and development. There are, nevertheless, many ill-conceived national-level policies and laws which undermine pastoral systems. These arise in part from misconceptions of the impact of pastoralism on the environment and from the perception that pastoralism is an economically inefficient form of land use. The evidence from Spain, north Europe, China and elsewhere, however, is to the contrary.

Win-win opportunities for enhancing pastoralist livelihoods and SLM do exist. Improving transparency in markets can increase benefits to pastoralists, if they have the capacity to act on the information (education, financial services, market intelligence). Promoting investment in local value-added production has great potential, especially where pastoralists produce fibre and dairy (again capacity building and financial services are key). Unnecessary restrictive regulations need to be lifted, and government has to work with pastoralist groups to ensure that market and trade interventions benefit them.

**Mr Hepburn** provided a succinct overview of the various tools and instruments of the international trade rules relating to agricultural production and trade patterns which might be useful for promoting SLM. He focused specifically on the topics of subsidies and market access.

Regarding subsidies, Mr Hepburn commented that the subsidy regimes of Northern countries have been linked to land degradation through encouraging overproduction, over-use of land and intensive production techniques. Export subsidies and other forms of export competition lead to the 'dumping' of products on developing country markets, and are particularly damaging. In the Doha Round, WTO Members have agreed to eliminate export subsidies, and establish disciplines on domestic support and other forms of export competition such as food aid.

Regarding market access, this is a much more complex area, as the relationship between trade and land degradation depends on a number of factors. Developing countries themselves may face different challenges and opportunities, depending on the extent to which they have established a substantial export-oriented agricultural sector. The policy tools that governments could make use of may therefore have different impacts on SLM.

For example, the exception clause regarding so-called "sensitive products" could be used by developed countries to protect products which are often associated with unsustainable production techniques, such as sugar or beef. The "special products" clause could however be used to protect small, vulnerable farmers, who may often use more SLM techniques that are commonplace in subsistence agriculture.

In conclusion, he noted that a satisfactory and sustainable solution to the links between land degradation and trade would require decision-makers to address the issue as part of a comprehensive public policy framework; political commitment at the highest levels would also be needed.

**Ms De Windt** spoke on the opportunities and constraints for promoting sustainable use and management of natural resources through regional trade agreements (RTAs). Focusing on lessons learned from RTAs in the Americas, she noted that they generally have a poor ability to assess ex-ante impacts on natural resources and develop Integrated Policy Responses. While environmental related provisions included in RTAs have helped to raise the profile of environmental issues, there is much to be done to link environment and trade policies. In particular, priorities have been identified in RTAs for cooperation and resources provided could address some challenges. For example, a good deal needs to be done on market access for environmental beneficial goods and services. There is

also a need to exchange information on implementation of MEAs that all parties have ratified, to promote efficiency and innovation in conservation of biodiversity and use of natural resources, and finally to exchange information related to assessing environmental effects of trade.

There is a need for a comprehensive approach. Negotiations are a give and take – and in order to obtain positive impacts for sustainable management of natural resources, skills of developing countries need to be enhanced, national strategies need to be coherent, and market opportunities need to be maximized. Coordination among national authorities is required for environmental protection, enforcement and compliance. Finally, resources, capacity building and cooperation need to go hand in hand with negotiation and implementation of trade agreements.

The *discussions* following these presentations covered a range of issues ranging from voluntary rehabilitation schemes in response to trade impacts in Ethiopia to the impact of the Doha Round on cotton exports from Burkina Faso to the role of Gum Arabic in Mali for SLM. It is clear that many issues on the ground are impacted directly or indirectly by the evolution of international trade policies regarding subsidies and market access. Yet there is much work to be done to better understand the nature of these impacts and how they can be addressed in way that promotes SLM.

The session was closed with a timely reminder from Mr Mersmann that we are not always in agreement on what we mean by the environment, especially in the context of trade, and that this GM/ICTSD dialogue provides a good opportunity to become more specific on what it actually means.

## **Session 2: Emerging Opportunities for Enhancing Sustainable Use and Management of Land and Natural Resources through Trade**

This session explored emerging market opportunities for products from drylands with a special focus on natural, biodiversity products. Overall the dialogue highlighted some concrete market opportunities for dryland-based products and point out the needs and constraints for making the policy environment more conducive. The discussions contributed to an understanding of how SLM could be promoted through markets and trade development by using a "sector-based approach." The presenters and the subsequent discussion addressed the following set of key questions:

- What are the emerging opportunities and "driving sector" for promoting sustainable trade of products from drylands?
- What trade-related tools, instruments and approaches are available to embed "sustainable use" in value chains and to take advantage of

these emerging opportunities for developing sustainable trade of dryland products?

- What are the main needs, constraints and threats for the development of these emerging markets and for taking advantage of related business and investment opportunities?
- How do we create an enabling policy environment for increasing investment and stakeholders' engagement?

The session, which was chaired by Ben Chikamai of the Network for Natural Gums and Resins in Africa (NGARA), included presentations by:

- Rosie Abdy Collins, PhytoTrade Africa
- Rik Kutsch-Lojenga, UNCTAD Biotrade Initiative
- Susan Bingi, Uganda Export Promotion Board/National BioTrade Programme
- Hassan Machlab, UNDP/DDC Project, Ministry of Agriculture, Lebanon
- Kaabi Nouredine, Ministry of Development and International Cooperation, Tunisia
- Lorena Jaramillo, Export and Investment Promotion Corporation (CORPEI), Ecuador

***Ms Abdy Collins*** introduced the work of PhytoTrade Africa, the Southern African Natural Products Trade Association, which is Africa's only trade association dedicated to the development of a Fair Trade and environmentally sustainable natural products industry. Members include community-based organisations, private enterprises, non-governmental organisations, research institutions, universities, government departments and individuals. The association aims at securing sustainable supplementary cash income for poorest rural producers, who live in marginal land, through the harvesting and process of eight indigenous non-timber forest products (NTFPs). All operations are member and market driven, the products are sustainable and ethical and a focus is placed on international natural products industry, especially cosmetics and food through 'smart partnerships'.

As a membership organisation, PhytoTrade focuses on supporting its members in the areas of supply chain development, product research and development, market development, and institutional development. She highlighted the importance of assistance in complying with industry safety and quality standards for being able to access markets internationally. An example given was the EU Novel Foods Directive which was a barrier to entry to the EU, and has needed much lobbying to communicate the issues of African producers. The BioTrade UNCTAD initiative, with whom PhytoTrade partners, has been critical in these policy level discussions.

She concluded by illustrating the huge scale of investment that to date has been provided to help establish industries, such as Olive oil, Soya etc. To compete with these industries similar levels of support are needed to develop new products, such as those supplied by PhytoTrade Africa members to the Cosmetics and Food sectors.

**Mr Kutsch-Lojenga** introduced the UNCTAD Biotrade Initiative which focuses on empowering national institutions to address the objectives of the multilateral environmental agreements (MEAs), sustainable development and corporate social responsibility through biotrade. Regarding the MEAs, the BioTrade Initiative developed in the context of the Convention on Biological Diversity (CBD) and has also worked with species listed under the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES). With this dialogue, BioTrade is now also beginning to look at the linkages to the UNCCD and the GM building on its dryland partnership with PhytoTrade. In particular, he noted that it would be interesting to explore whether the UNCCD could build on the BioTrade-related decisions of the CBD and CITES for exploring the opportunities in trade and market access for the implementation of the Convention.

Mr Kutsch-Lojenga, however, emphasised that decision by the Conferences of the Parties (COPs) of the MEAs was not enough. It is necessary to take an integrated approach and work as well at regional and national levels. Work at the sector and product level is also critical – e.g. developing value chain strategies, drafting sustainable management plans, addressing the issue of benefit sharing, developing and differentiating products, and verifying biotrade principles and criteria.

In this context, the GM might consider encouraging the UNCCD COP to adopt decisions on market access and trade and on collaboration with the other MEAs on the integration of trade of dryland products into national strategies. The GM might also be able to leverage support for existing BioTrade promotion initiatives and also explore ways to raise consumer interest in sustainable dryland products,

**Ms Bingi**, who in addition to her responsibilities with the Uganda Export Promotion Board also heads up the Uganda BioTrade Programme, presented a case study on mainstreaming SLM into biotrade national programmes.

Approximately one-third of Uganda is dryland and until very recently much of this area was a conflict zone. There is now a real opportunity to develop sustainable dryland products. This will require a valuation of biodiversity resources in the drylands and an exploration of community-based economic activities that could support biodiversity conservation and SLM.

With support from UNCTAD, the programme is working with selected dryland products to promote and facilitate entry into new markets, and also assist the enterprises to integrate sustainability principles into the production processes. Through a pilot study initiated by UNCTAD and GM, the programme has explored opportunities to address SLM issues in dryland issues and also support implementation of the CCD.

**Mr Machlab** presented information about a project in Lebanon on innovative market approaches to rural dryland development. The project has three broad objectives: promotion of innovative trade initiatives aiming at increasing market opportunities for dryland products, exploration and promotion of fair trade as an alternative livelihood option for rural dryland producers, and linking on-going eco-tourism initiatives to drylands and their agricultural products. The project is taking a multi-stakeholder approach and working with a number of local, national and international organisations to identify and develop trade-based opportunities for sustainable dryland management.

**Mr Noureddine** presented efforts on-going in Tunisia to promote sustainable dryland management through trade in aromatic, medicinal and non-ligneous plants. Many of these plants have a long history of traditional use within the country. Elements of the marketing strategy for these plants include efforts to make them stand out on the international market through a labelling system, preparation of promotional materials, building a directory of Tunisian suppliers, and promote these products during trade fairs. Other elements include efforts to promote the use of modern equipments for distillation and transformation, to encourage vertical integration of production, transformation and distillation, to promote analysis and quality checks, and to reduce imports and encourage goods processed domestically.

**Ms Jaramillo** presented a BioTrade case study from Ecuador on engaging local and national stakeholders' in sustainable trade of natural products. The case study looks at the Association Jami Kiwa, a medicinal plants producer with over 600 family members. The objectives of the project are to improve the quality of life (family and community) of its members, through increasing their income by improving the productivity of its crops, to revalue their traditional knowledge on natural medicine and avoid the destructions of their environment. Today they produce a diversity of raw materials and finished products sustainably. There are clear environmental and socio-economic benefits from their efforts such as an a reduction of pesticides and fertilizers, soil recovery, water protection through reforestation, an increase in families' income, and the consumption of healthier products by rural communities. However, there is still much work to be done in areas such as market information and access, management and negotiation capacity, commercial/marketing skills, quality, value added

and economies of scale, and scientific and technical knowledge. Constraints include scarce financial resources and limiting policies and legislation.

The *discussions* highlighted a good deal of interest in the technicalities of the BioTrade and PhytoTrade operations. The participants also discussed the need for policy support to such institutions. For example, in the context of WTO policies, some of the products might benefit from being classified as so-called “special products”, which allow developing countries to lower tariffs more gradually on products where they believe that rapid trade liberalisation could destabilise the livelihoods of small farmers, threaten the wider rural economy and undermine food security.

Policy support and market access remained major topics for this discussion. The linkages between the morning session on the global trade system and afternoon session on real on-the-ground case studies showed that the challenges of market access for niche market products appear to be linked to technical barriers to trade rather than issues such as tariffs and subsidies.

Clearly there remains a challenge to bridge the gap between the case studies on the ground and the trade policy level. How can we use trade policy to support SLM at the local level? How can we upscale the case studies? How can we create enabling environments to influence policies?

In this context, the critical challenge of measuring SLM – i.e. of knowing whether dryland products are sustainably produced remains. We need to ensure that the benefits of trade are also accrued to SLM – i.e. that trade leads to better land use practices. There was a shared view that by working at the country level and fostering linkages between global trade rules and sustainable production processes, we may be able to influence government decision-makers and identify appropriate policies and support mechanisms.

### **Session 3: Building Incentive Frameworks for Increasing Investment in SLM through Sustainable Trade Development**

This session explored incentives and financing mechanisms to enable the creation of a supportive environment for increasing investment in trade for SLM. The presentations and discussions focused on how to make these mechanisms coherent with overarching national development plans and budgeting processes. The presenters and the subsequent discussion addressed the following set of key questions:

- What are the needs and constraints for developing and implementing incentive measures?
- What are the relevant policies, institutions and actors to be engaged in building and implementing these frameworks? Should these

measures be UNCCD specific or cross-cutting across MEAs?

- How do we enhance coherence of incentive frameworks for sustainable trade development with overarching development policies and budget allocation processes at national level?
- How do we create incentives by mainstreaming SLM in trade-related policies and decision-making processes? How do we bridge the knowledge gaps between trade, environment and development communities?
- What instruments do we have for creating incentives at national level? Is there any window of opportunities for promoting sustainable trade under processes such as the "Integrated Framework"? Is there any opportunity to create incentives using trade-related financial instruments and mechanisms in the new financial architecture?

The session, which was chaired by Juan Carlos Vasquez of CITES, included presentations by:

- Markus Lehmann, Secretariat of the Convention in Biological Diversity (CBD);
- Albert Mwangi, UNDP Dryland Development Centre (DDC);
- Louise Gallagher, UNEP Economics and Trade Branch (ETB);
- Martin Rokitzki, International Fund for Agricultural Development (IFAD); and
- Alejandro Kilpatrick, The Global Mechanism (GM).

**Mr Lehmann** made the first presentation in the session on the Convention on Biological Diversity (CBD) and the lessons learned from the implementation of the CBD programmes of work on the biodiversity of dry and sub-humid lands, and on incentive measures. He recalled the 2010 biodiversity target, which commits the 189 Parties to the Convention to significantly reduce the current rate of loss of biodiversity by 2010. The Parties to the CBD have recognized that trade in biodiversity-based goods, including dryland products, can act as an incentive to use components of biodiversity (species, ecosystems, genetic resources) in a sustainable manner. Such trade would hence directly contribute to achieving the second of the three objectives of the CBD – the sustainable use of components of biodiversity.

The CBD addresses incentive measures, including the promotion of markets for biodiversity-based products, in Article 11, which commits Contracting Parties to adopt such measures as far as possible and appropriate. The Conference of the Parties to the Convention has developed policy guidance which is of direct relevance for practical implementation of sustainable trade in dryland products. These include: the guidance on the ecosystem approach, the Addis Ababa principles and guidelines for the sustainable use of biodiversity, and the proposals on the design and implementation of

incentive measures. The CBD's programme of work on the biodiversity of dry and sub-humid lands biodiversity inter alia foresees activities that would support sustainable livelihoods through market development and trade.

Parties to the CBD have a formal reporting obligation which includes reporting on the design and implementation of incentive measures for conservation and sustainable use of biodiversity at the national level. A total of 102 third national reports have been submitted by Parties by the end of 2006. An analysis of these reports shows that a number of Parties are already undertaking activities related to the development of markets for biodiversity-based products ("Biotrade"), but that opportunities also exist to further expand related activities.

The upcoming COP9 (scheduled for 2008) will review the work on incentive measures undertaken so far, with a view to identify key activities of a future programme of work. This in-depth review will provide a prime opportunity to profile successes and challenges in providing incentives for the conservation and sustainable use of drylands, including through market development and trade. He invited participants to contribute to the preparatory process for the in-depth review, noting the importance of an effective and comprehensive flow of information on what is happening on the ground in order to ensure the best possible decision-making and policy guidance at the global level.

**Mr Mwangi** presented the work of the UNDP Dryland Development Centre with respect to supporting policies and institutions for promoting SLM through trade in arid regions. He noted three key constraints facing sustainable dryland management: physical constraints (e.g. poor roads, limited access to information), capacity constraints (e.g. lack of financial services, inefficient production and processing technologies), and policy constraints (e.g. absence of enabling policies, poor enforcement of existing policies). Regarding the latter, market access and trade policies and institutions are critical to the development of arid regions in East Africa.

Some of the policies, opportunities and challenges in promoting SLM through trade in arid regions include the improvement of marketing infrastructure, better financing arrangements, appropriate intellectual property right (IPR) regimes and effective enforcement for equity, enhancement of community-private sector linkages and partnerships that result in higher and more equitable benefits, addressing international trade policy implications at national levels, and appropriate draught management strategies. Trade policy must be coordinated with efforts to address the physical constraints and capacity constraints of drylands.

**Ms Gallagher** provided an overview of a UNEP publication on economic

instruments in biodiversity-related Multilateral Environmental Agreements (MEAs). This handbook provides a very useful overview of the principal roles of economic instruments to support the implementation of CBD, CITES, Ramsar and other MEAs. Though the book does not focus on the UNCCD, it does provide much which is of direct relevance to drylands and SLM.

Economic instruments of particular relevance to the dialogue include property rights, environmental taxes and charges, eco-labelling and certification, as well as facilitation of payments for ecosystem services. Another area of particular importance which was also mentioned by Mr Lehmann is the removal of perverse incentives such as biodiversity-harmful subsidies.

The last two presentations of this session focused more closely on enhancing coherence with development frameworks and budget allocation processes in the new financial architecture. The first of these by **Mr Rokitzki** provided an overview of the emerging financial aid modalities, instruments and mechanisms of the new financial architecture on the basis of IFAD's experiences.

The international policy basis of the new financial architecture are the Millennium Development Goals (MDGs) linked to Poverty Reduction Strategies (PRSs); the Medium Term Expenditure Framework (MTEF); the Paris Declaration and the Monterey Consensus linked to donor harmonisation and country led ownership and prioritisation. This includes an explicit focus on Sector-Wide Approaches (SWAs) which aims to coordinate all significant funding for a sector under a common approach directed by the national government.

SWAs are in turn supported by a Joint Assistance Strategy (JAS) which forms an agreement between a government and its donors to operationalize the national development framework. JAS is part of the Paris Reform Agenda to improve the efficiency and effectiveness of development assistance.

Most SWA arrangements to date have been in the social sector, and only a few have taken place in the agricultural or rural development sectors. Nevertheless, from an IFAD perspective, it will be important to understand this new financial architecture and its instruments and to engage in resource allocation processes at the national level to ensure that more resources are allocated to sustainable dryland management initiatives such as PhytoTrade in southern Africa.

The last presentation of the session, made by **Mr Kilpatrick**, provided an overview of the GM in the context of the new financial architecture. He

explained that the GM has a broad approach to SLM as a development issue and not just an environment issue. Hence, the GM has an opportunity to mainstream SLM into national development and policy frameworks leading to national financial strategies. The plan is for the GM to evolve into a facilitating agency to integrate the UNCCD objectives into the national development agenda, to create inter-linkages, and to optimize synergies so as to increase investment flows to these areas.

The first part of the *discussions* focused on how the GM could develop a programme on incentives. In particular, there appears to be an opportunity for the Parties of the UNCCD to build on the extensive work undertaken by the CBD on incentives and perhaps even to adopt a decision essentially linking the CBD incentive approaches to drylands and SLM as well as exploring more particular UNCCD opportunities and concerns in trade and market access..

Clearly, there is a need to look at the gathering of wild dryland products as promoted by PhytoTrade and the UNCTAD BioTrade Initiative and also to ensure that larger scale agricultural uses of drylands, such as cotton farming, are sustainable. This requires both an understanding of what is happening on the ground with respect to market processes but also what influence international and regional trade agreements are having on these land use systems.

It is also important to remember that not everyone supports trade in wild species or development through international trade processes. There is a need to mobilise more financial resources – perhaps outside of the MEA frameworks – to promote traditional and non-traditional sustainable production systems in drylands. There is also a need to understand the implications of international negotiations in areas such as access and benefit sharing and tradable quotas of wild species.

The second part of the discussions focused on the challenge of getting dryland issues into the national budgetary cycle. This is especially a problem for a dryland economic sector like natural products in which PhytoTrade and BioTrade operate. This sector is very difficult to monitor, its impacts on development are difficult to ascertain and it is thus hard to raise its profile at the national level.

Opportunities for private-public partnerships could also be explored to link the efforts of the private sector to the resource allocation decisions taking place under the new financial architecture. Evidence from countries such as Uganda and Ecuador show that private sector investments backed by appropriate government policies, regulations and support can enhance the prospects for SLM.

## **Session 4: Increasing Investment for SLM: Private Sector Engagement and Community Participation**

The fourth and final session of the dialogue looked at how to attract private investments to enhance community participation in SLM. Particular attention was given to making a business case for private sector engagement and to optimising the sustainability of business processes.

The presentations and discussions in this session provided suggestions on how to approach the private sector and on how to promote investment in sustainable business models focused on community integration. The presenters and the subsequent discussion addressed the following set of key questions:

- What is the driver for private sector engagement? What is the private sector expecting and what do we expect from them? What is missing for “making the business case” for private sector engagement in SLM?
- What are the main constraints so far for increased interaction with the private sector on systematic long-term basis? Are we able to provide evidence of business opportunities and of the comparative advantage for business people to work with development practitioners? Where is our value added?
- What are the lessons learned from sustainable business initiatives? Is sustainable business relegated to fair trade and market niches? What lessons can we draw from fair trade and ethical trade related experiences? What are the constraints and opportunities for up-scaling these models?

The session, which was chaired by Francis Vorhies of Earthmind, included presentations by the following:

- Chidume Okoro, Gum Arabic Company (GACON) Ltd;
- Filippo Veglio, World Business Council for Sustainable Development (WBCSD);
- Fabrice Leclercq, International Trade Centre (ITC); and
- Martin Rohner, Max Havelaar Foundation.

**Mr Okoro** presented an interesting case study of the Gum Arabic industry’s opportunities and problems for engagement with development partners. He noted that there were real opportunities for adding more value in establishing processing operations such as kibbling, milling and spray drying. Also, in order to ensure a regular supply of raw material to these processes, it was necessary to establish a regional buffer stock mechanism. Such a mechanism requires support from development partners.

With the establishment of a buffer stock mechanism and value-added processes, there will be an increased demand for the raw material and thus an increased demand to plant the trees leading to SLM. In this respect, micro credits could play a key financing role. Also there is a need to reduce perverse incentives such as the levels of tax and duty and the volumes of mandatory paper work.

**Mr Veglio** followed with an international perspective on private sector expectations from development partners. From a WBCSD perspective of aligning business interests with the needs of society, he explained the need to develop a clear business case for engagement. This business case includes a focus on MDGs, linkages between foreign direct investment and overseas development assistance, and improving framework conditions in developing countries.

He also explained that companies can engage in a number of different ways including developing local suppliers and service providers, access new customers and creating new markets, and partnering to encourage business-development synergies. In this respect, the underlying model is – doing well by doing good.

Finally, regarding business engagement with the UN system, Mr Veglio re-emphasised the commitment of WBCSD and its corporate members to the goals of the UN. However, he noted that the UN remains overly complex for most companies and presents multiple entry points leading to uncertainty of how to engage. Furthermore, the UN seems to focus far too much on policy, when the need is for implementation.

From within the UN system, the next speaker, **Mr Leclercq**, presented the case of the Export-led Poverty Reduction Programme (EPRP) of the ITC in support of community-based business development. EPRP has emerged from the interface between globalisation and poverty, recognising that economic growth does not always trickle down to the poor. Thus the poor need to be brought explicitly into the growth process through employment and entrepreneurship.

EPRP is an ITC response to the MDGs by having the poor benefit from existing trade opportunities at the micro level, the strategic level and the policy level. The EPRP bottom-up approach builds on existing strengths and cooperation with local institutions to bring about long term sustainable improvement. It links local communities to markets through trade.

The final presentation of the dialogue by **Mr Rohner** was on fair trade as a sustainable business. Speaking on behalf of the Fairtrade Trade Labelling Organisations (FLO) International, he provided a concise overview on how

the fair trade systems work. The FLO standard has a trade element, social element and an environment element. There is now substantive evidence that the communities involved in producing fair trade products have benefited in trade, social and environmental terms. In so doing FLO is promoting SLM.

The open *discussion* which followed these presentations focused on the fair trade scheme as a tangible case of a voluntary incentive measure which promotes trade, development and environment objectives in agricultural landscapes. The technical nature of the questions indicated the need to undertake a more thorough analysis of the potential role for such responsibility certification and labelling schemes for SLM.

A particular important challenge for drylands products is whether FLO-type schemes can be developed for value-added products. FLO itself is expanding its label now from cotton to textiles and find this to be very difficult. The supply chain is complex and there are lots of steps in producing clothes. Hence, there is much work to be done to develop schemes for promoting value-added production processes in the context of SLM practices.

### **Closing session on final thoughts**

Mr Meléndez-Ortiz chaired the last session which explored whether there was a synthesis of the ideas discussed and ideas for next steps for ICTSD, GM and others. Some conclusions and recommendations from this session as well as from the dialogue as a whole can be found in the following section of the report.

*Elisabeth Barsk-Rundquist* brought the dialogue to a close by explaining that it had been extremely valuable for the GM. The next step for the GM is to further refine its market access and trade programme so as to influence policies and decisions at both the international and the national levels, in the countries they are engaged.

Finally, *Mr Meléndez-Ortiz* thanked everyone for their participation in the dialogue and emphasised that ICTSD will remain engaged in the issues. He then asked for a round of applause for *Marie Chamay* of the ICTSD and *Eleonora Canigiani* of the Global Mechanism who had put in so much work behind the scenes to make the dialogue the success that it was.

### **Overall conclusions & recommendations**

The dialogue made evident that drylands are an important policy space for development, environment and trade. Drylands offer a variety of land use options from hunting and gathering to pastoralism and ranching to farming

and cultivation to the provision of dryland ecosystem services including tourism. The challenge for trade and market access is to promote land use options which ensure sustainability.

Trade is clearly a key component of SLM and should be explored at two levels – trade processes focusing on value chain issues and – trade policies focusing on sustainability linkages between the WTO, the MEAs and related international policy frameworks. In this context, it may be appropriate to consider undertaking dryland-specific SLM SWOT assessments (strengths, weaknesses, opportunities and threats assessments). The SWOT assessments could aim to identify the strengths and weaknesses of strengthening value chains for alternative dryland use options and also the opportunities and threats of trade policies and development finance flows with respect to these dryland use options.

Trade dimensions of SLM need to be understood at different levels – micro and macro levels, market opportunities and market policies, and also within the domestic policy space and the international policy space.

One area for further work is to better understand how policies of the international trade regime could be tools for SLM. For example, dryland commodities such as cotton face a number of distortions in the international markets arising from tariffs, subsidies and other trade barriers. For niche products such as those of BioTrade and PhytoTrade, there are the challenges of non-tariff barriers. These policies need to be addressed and discussions under the WTO could help to contribute to SLM.

Another area for further work is to help companies develop not just commodities for export but also to develop in-situ, value-added refined products. The implications of WTO rules for these value-added products then need to be understood and addressed. For example, there is currently a WTO discussion on local content and another on allowing more value addition.

Opportunities at the country level also need to be considered. How do we translate these discussions, at the WTO level, in the countries? We will need to clarify what we mean by SLM and its implications for both traditional (e.g. cotton) and new (e.g. BioTrade) products. Is a SLM label a possibility? Can national governments raise the right trade issues in international discussions?

Furthermore, a major challenge and opportunity is to link such trade policy issues with the resource allocation processes. This includes the discussions on Aid for Trade and the challenges national economies have to face adjusting to trade liberalisation.

There is also an opportunity and perhaps a need to undertake strategic

landscape level assessments. Each dryland situation has its own set of trade issues, players, opportunities and constraints which need to be understood to develop more effective interventions for SLM. Various incentive and regulatory packages are needed to address issues at the landscape level, the national level and the international level.

It is clear that many partners are needed to address SLM at all levels. Different management strategies and different incentive structures are needed for different landscapes and different commodities. The impact of international trade rules needs to be better understood and the role they can play in supporting sustainable trade of dryland products.

A number of overall recommendations emerged from the dialogue. These included the following:

- **Explore the possibility of promoting a UNCCD COP decision on market access and trade.** Such a decision could link to relevant work by the CBD and the UNCTAD BioTrade Initiative and help to facilitate engagement and investment in the area of market access and trade at the country level.
- **Strengthen interaction among MEAs.** At both the global and the national levels, there is an opportunity to building synergies among the MEAs – notably UNCCD, CBD and CITES – to supporting country-based approaches to incentive measures and financial resources for SLM.
- **Define indicators for achieving SLM through market access and trade.** Building on the work of the GEF, the World Bank and others, the GM could support the development of trade-related indicators on sustainability, livelihoods and poverty reduction.
- **Define strategies on trade and SLM for both traditional commodities and new products.** For traditional commodities, attention will probably have to focus on governance structures and trade rules and policies, in particular issues related to tariffs and market distortions, while for new products, there is a need to raise awareness on the potential of these products and to provide better guidance to governments for creating supporting regulations, incentives, finance and address issues related to non-tariff barriers and measures for market access.
- **Translate international level policies and dialogues into country-based interventions.** The GM and others may need to undertake capacity-building activities at the country level to develop

appropriate national responses to international development, environment and trade policies.

- **Create more consumers awareness of drylands.** Explore certification schemes for goods and services derived from sustainable dryland production processes.
- **Strengthen linkages between UNCCD and trade policies.** Such linkages will give more visibility to SLM and facilitate its mainstreaming into trade related resource allocation processes such as Aid for Trade.
- **Identify opportunities for further sustainable trade dialogues.** Upcoming COPs of the MEAs, for example, could be good places to continue discussion of the role of trade in SLM.
- **Enhance availability of quantitative data.** Develop a better empirical understanding of the scale of the problems and challenges related to the impact of trade on SLM. Information on production, sales, exports, incomes, and so on will provide guidance for strategic planning and financial support for SLM.

## **Appendix 1: Agenda of the dialogue**

### **Building an Enabling Environment for Increasing Investment in Sustainable Land Management through Market Access and Trade**

31 January – 1 February 2007  
WMO – World Meteorological Organization, Room C.1  
Geneva, Switzerland

#### **Day 1: 31 January 2007**

##### **Welcome Remarks and Introduction**

##### **Session 1: Agricultural Production, Trade and Sustainable Land Management: Opportunities and Constraints under Present Trade Regimes**

**Moderator:** Ricardo Meléndez-Ortiz, International Centre for Trade and Sustainable Development (ICTSD), Switzerland

##### **Speakers**

- Karel Mayrand, Unisféra, Canada / Moustapha Gueye Kamal, ICTSD, Switzerland  
From Boom to Dust? Agricultural trade and desertification
- Simon Rietbergen, IUCN, Switzerland  
Pastoralism on the move: market and trade related opportunities and constraints to SLM in the drylands
- Jonathan Hepburn, ICTSD, Switzerland  
International trade rules and agricultural production and trade patterns: An overview of some tools and instruments for promoting SLM
- Claudia de Windt, Organization of American States (OAS), Washington  
Opportunities and constraints for promoting sustainable use and management of natural resources through regional trade agreements

##### **Open discussion**

##### **Session 2: Emerging Opportunities for Enhancing Sustainable Use and Management of Land and Natural Resources through Trade**

**Moderator:** Ben Chikamai, Network for Natural Gums and Resins in Africa (NGARA), Kenya

## **Speakers**

### *Opportunities*

- Rosie Abdy Collins, PhytoTrade Africa, Zimbabwe/UK  
New markets and emerging opportunities: the case of natural products

### *Tools, instruments and approaches*

- Rik Kutsch-Lojenga, UNCTAD Biotrade Initiative, Switzerland  
Empowering national institutions with tools for bringing sustainable use from theory to practice: lessons learned by working with different MEAs
- Susan Bingi, Uganda Export Promotion Board/National BioTrade Programme, Uganda  
Mainstreaming SLM in the national Biotrade programme – Case of Uganda

## **Open discussion**

## **Speakers**

### *Needs and constraints*

- Hassan Machlab, Ministry of Agriculture, Lebanon  
Rural dryland development through innovative market approaches
- Kaabi Nouredine, Ministry of Development and International Cooperation, Tunisia  
Opportunities for promoting aromatic, medicinal and non-ligneous plants in arid regions in Tunisia
- Lorena Jaramillo, Export and Investment Promotion Corporation (CORPEI), Ecuador  
Engaging local and national stakeholders' in sustainable trade of natural products, a case from Ecuador

## **Open discussion**

## **Day 2: 1 February 2007**

## **Recap of Day 1**

### **Session 3: Building Incentive Frameworks for Increasing Investment in SLM through Sustainable Trade Development**

**Moderator:** Juan Carlos Vasquez, Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES), Switzerland

#### **Speakers**

*Incentive measures, policies and institutions*

- Markus Lehmann, Secretariat of the Convention in Biological Diversity (CBD), Canada  
Trade in drylands biodiversity products as an incentive for sustainable use: The work under the CBD
- Albert Mwangi, UNDP Dryland Development Centre (DDC), Kenya  
Policies and institutions for promoting SLM through trade in arid regions
- Louise Gallagher, Economics and Trade Branch United Nations Environment Programme, Switzerland  
Economic instruments in biodiversity-related multilateral environmental agreements

#### **Open discussion**

#### **Speakers**

*Enhancing coherence with development frameworks and budget allocation processes in the new financial architecture*

- Martin Rokitzki, International Fund for Agricultural Development (IFAD), Italy  
New financial architecture: emerging financial aid modalities, instruments and mechanisms – the experience of IFAD
- Alejandro Kilpatrick – The Global Mechanism (GM), Italy  
National financing strategies for SLM

#### **Open discussion**

### **Session 4: Increasing Investment for SLM: Private Sector Engagement and Community Participation**

**Moderator:** Francis Vorhies, Earthmind, Switzerland

#### **Speakers**

*Mutual expectations and constraints for engagement*

- Chidume Okoro, Gum Arabic Company (GACON) Ltd., Nigeria  
Opportunities and problems for engagement with development partners: a case on Gum Arabic
- Filippo Veglio, World Business Council for Sustainable Development (WBCSD), Switzerland  
Private sector expectations from development partners

**Open discussion**

**Speakers**

*Potential models for making business with communities*

- Fabrice Leclercq, International Trade Centre (ITC), Switzerland  
How to (re)concil(iat)e trade and environment?
- Martin Rohner, Max Havelaar Foundation, Switzerland  
Fair trade and sustainable business: is it a successful model?

**Open discussion**

**Closing remarks**

## **Appendix 2**

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