

WORKSTREAM 7: DROUGHT FINANCE

Lead Organizations:



United Nations
Convention to Combat
Desertification

➤➤➤ A LOOK BACK AT THE PAST 10 YEARS

The world has been witnessing an increasingly complex, multidimensional crisis, with severe impacts on the most vulnerable. While the financial demands to meet immediate needs are growing, climate-related disasters take an unprecedented toll on the entire society. Drought, one of the costliest disasters, is intensifying, thus further widening the financing gap. The importance of integrated drought management has attracted greater attention and strong awareness in the past decade, which, eventually, resulted in a more programmed and proactive planning of drought management. The Drought Initiative of the United Nations Convention to Combat Desertification (UNCCD) supported more than 70 countries in the preparation of their national drought plans, a quantum leap towards the implementation of integrated drought management. Nevertheless, the lack of financial resources emerged as one of the biggest impediments to the implementation of actions. The limited financial resources have cascading impacts. Agriculture absorbs the most devastating consequences, affecting also national-level and global food security. In turn, the insufficient financial flows have a reciprocal effect. The more productive assets are damaged by drought, the less financial reserves are available for mitigating its risk.

The Food and Agriculture Organization of the United Nations (FAO) works in partnership with the UNCCD and several United Nations and global organizations, such as the World Meteorological Organization, the World Food Programme, the Global Water Partnership and others, to find enabling pathways for drought finance.

FAO, as a specialized agency, provides technical support to identify and match the most cost-effective solutions with relevant financial instruments. The High-level Meeting on National Drought Policy (HMNDP) in 2013 declared the importance of formulating policies for proactive drought management, which incorporates comprehensive governmental and private insurance and financial strategies. The global level commitment to increasing the scale and effectiveness of financial allocation has been undiminished. The Conference of Parties (COP) of the UNCCD made several decisions towards this goal, including the COP14 requesting the Global Mechanism (GM) to identify innovative financing instruments and the COP15 inviting Parties to scale up and facilitate effective financing for the implementation of drought risk reduction and resilience-building. At the political level, FAO together with the high-level representation of the Republic of Mali, the Republic of Niger and the Republic of Tunisia co-organized an event at the UN 2023 Water Conference 2023 to raise awareness on the nexus of drought finance and fragility. Such initiatives require further follow-up and concrete actions with the involvement of a broader partnership, including financial actors, the private sector, and the academia beyond the traditional stakeholders.

➤➤➤ MAIN CHALLENGES

Despite the repeated calls for intensified finance, drought management remains underfinanced, which has deep-rooted, systematic challenges, as well as the challenges stemming from the specific nature of drought. Regarding the latter, several layers of uncertainty must be resolved. This includes the periodicity of drought, which makes investment needs contingent upon the occurrence of drought. The multifaceted nature of drought spans multiple sectors, spatial extents, and stakeholders, which requires great flexibility from the financing approaches and essentially defines the materiality of the distinct impacts. Finally, integrated drought management is a technology- and data-based intervention. Investment must target the development of such infrastructure that forms the basis for the definition of financial needs. The abovementioned challenges are only a portion of the complex environment that shapes the financial landscape. Nevertheless, there are feasible and short-term actions that can accelerate finance without further delaying the critical assistance to the implementation of resilience-building measures.



➤➤➤ THE WAY FORWARD

- Discussion on the main challenges of drought finance and the role of partners in finding solutions.
- The presentations of options for monitoring drought finance from international and domestic sources.
- The review of the contribution of financial sources to the existing finance flows, including strategies for private sector inclusion.
- Stocktaking and evaluation of the financial instruments based on their effectiveness and accessibility.
- The demonstration of pathways to leverage alternative resources, including strategies to strengthen the co-benefits of financing drought risk.

Further discussion points:

- Comparative analysis in the trends of financial demands for resilience-building and available resources
- Enabling policies for drought finance intensification
- Regional collaboration on drought finance

Rebalancing the financial allocations for emergency and proactive measures

