

## Special Track Session

Organized by the United Nations Convention to Combat Desertification (UNCCD)

### *The Business of Land*

#### **ABSTRACT**

Land is an underperforming asset, and its investment potential is often not fully recognized by the private sector; neither are the costs of land degradation fully appreciated. Both of these realities impact producers and consumers alike, and can affect the stability and security of local communities. The reality is that land degradation adversely affects a wide range of products and services that land provides, resulting in a decline in economic returns from land. Consequently, land degradation imposes huge costs on society. Although the loss of ecosystem services such as regulation of water supplies, flood control, nutrient recycling, pollination, genetic resources and carbon storage resulting from land degradation are significant, the extent of these losses are inadequately perceived by society. Moreover, the crucial role that investments, such as those under the rubric of Corporate Social Responsibility (CSR), can play in transforming the way in which we produce and consume land-based goods and services is not fully appreciated. This session will bring together representatives from the government and the corporate sector that utilize and manage the value chains that start on the land, including intensive water use, natural resources harvesting and food processing industries. It will focus on the potential for innovative multifunctional approaches, such as agroforestry and organic or climate-smart agriculture, to help achieve multiple SDGs and increase resilience for both people and the planet.

#### **BACKGROUND**

With up to 30 per cent of the world's usable land degraded, resulting in a direct economic loss of around US\$ 40 billion every year, land degradation is a major challenge facing the world today. For the private sector, degraded land is an underperforming asset. When land is not producing at full potential, it incurs expenses and losses for all stakeholders and can cut into a nation's GDP. In India, land degradation and land-use change ate up 2.54% of India's gross domestic product (GDP) in 2014-2015 (TERI, 2017). For the private sector, land degradation can decrease current and future growth through compromised natural capital stocks and flows, increased resource costs due to lower availability, and production losses, as well as increased political instability and social costs associated with health problems, field abandonment, migration, etc. The costs of doing business on degraded land are further incurred when supplying additional inputs (i.e., fertilizer or water) or undertaking restoration activities. Moreover, studies (e.g. TERI, 2017) suggest that it costs far more to degrade land than it does to manage it, and investing in sustainable land use makes sound business sense. Ultimately, the diminution of our natural capital short-circuits growth, limits prosperity, and tends to have adverse intergenerational impacts.

The Economics of Land Degradation (ELD) Business Brief assessed sectors in terms of their exposure to risks from land degradation. It identified that the highest risks are borne by those with direct land dependence, where supply chain resilience is threatened by climate change, water scarcity and ecosystem degradation. These include:

- Harvested resources (e.g., timber, pulp, paper, fossil fuels, sand and metals);
- Agricultural products (e.g., food and beverage);
- Industrial goods and services (e.g., transportation, packaging);
- Leisure and travel, (e.g., airlines, resorts/hotels);
- Eco-tourism;
- Personal and household goods (e.g., consumer electronics);

- Utilities (e.g., water, electricity)

Any business that owns, manages, and depends on land-based goods and services in their supply chain can face risk and loss when the productive capacity of land is diminished. Companies can suffer reputational damage from even indirect exposure or association with land degradation at any point in their value chains. Governments spend large sums of money on restoring, rehabilitating and preventing land degradation. Adopting more sustainable production methods and supporting greener value chains that contribute to Land Degradation Neutrality (LDN) could yield significant returns to the private sector while conferring benefits to the wider society. Studies estimate the global cost of land degradation, at about US\$ 490 billion per year, is much higher than the cost of action to prevent it. Conversely, the business opportunities in creating a sustainable world for more than 9 billion people could be worth US\$ 3–10 trillion a year by 2050.

## **THE BUSINESS OF LAND**

Well-functioning ecosystems provide raw materials and a wide range of environmental services which are vital to any country's economy and the success of business operations.

- For businesses with operations that directly depend upon productive land (e.g., agribusiness and forestry), managing their land sustainably will help them maintain productivity and secure access to their means of production while at the same time reducing risk and exposure.
- For businesses sourcing raw materials or that depend indirectly on land-based goods or services for their product offerings (e.g., consumer goods, energy), ensuring that suppliers manage land resources in a sustainable manner will help reduce the risk of disruption in their supply chains and ensure future access to quality raw materials.
- For businesses with a high impact on land (e.g., extractive industries), minimizing their footprint through the adoption of a mitigation hierarchy can, for example, reduce the cost of regulation or associated reputational risks that these companies may face.
- Additionally, companies from the service industry, such as finance and insurance companies, indirectly depend upon healthy ecosystems, as the performance of the businesses they are financing or insuring depends directly on the way these businesses manage their land impacts and dependencies.

There are indications that a large-scale land restoration economy is developing. There are in total nearly 2 billion hectares of degraded terrestrial ecosystems, including close to 500 million hectares of degraded and abandoned agricultural land. The costs of adopting sustainable land management practices or restoration and rehabilitation are fairly well known. For example, it can take as little as US\$ 25-200 to rehabilitate one hectare of farmland using simple, traditional agroforestry, water conservation and livestock management practices.

**LDN could be an economic game changer in many economies opening up a huge array of economic opportunities.** As a result, new models of investment and business are emerging. An example is the UNCCD LDN Fund, launched in late 2017 and managed by a private sector investment firm. It is designed to create sustainable business models to substantially scale up restorative actions on the land. While there are many successful small-scale projects, there is an immediate need to act at larger scales and remain profitable. The LDN Fund will invest in bankable projects worldwide, including sustainable agriculture, forest and livestock management, agro-forestry, renewable

energy, infrastructure development and eco-tourism. The investment revenues will create green job opportunities for local communities, increase food and water security and sequester carbon. Its investments follow strict sustainability standards/safeguards and responsible investment criteria.

### **INITIATING A DIALOGUE**

This session will bring together representatives from the from the government and the corporate sector that utilize and manage the value chains that start on the land, including intensive water use, natural resources harvesting and food processing industries. It will focus on the potential for innovative multifunctional approaches, such as agroforestry and organic or climate-smart agriculture, to help achieve multiple SDGs and increase the resilience of both people and the planet. The purpose of this session is to explore a) the implications of land degradation for governments and business operations, b) the potential for businesses to adopt more sustainable production methods and support greener value chains with examples of best practices, and the benefits of doing so.

### **APPROACH**

An interactive panel discussion with executive leaders from the public and private sector will address a number of key questions, such as:

1. Is land degradation a problem or an opportunity?
2. Is this an opportunity for a win-win corporate social responsibility investment?
3. Can a business become land degradation neutral? How can this target be measured and reported upon by businesses? Would certification help achieve the objective?
4. What are the incentive gaps that need to be filled? How to remove perverse subsidies?
5. What is needed to create a more dynamic infrastructure and market for LDN activities? What sectors should we prioritize and how can sectors collaborate?
6. What about the financial services industry, such as investment, insurance, banking? How can we create business-friendly “bankable projects” for investors?

### **REFERENCES**

Economics of Land Degradation (<http://www.eld-initiative.org>)

Commonland (<http://www.commonland.com/en>)

LDN Fund (<http://www2.unccd.int/actions/impact-investment-fund-land-degradation-neutrality>)

TERI, 2017. Macroeconomic assessment of the costs of land degradation in India. Vol 1. Report on the economics of desertification, land degradation and drought in India submitted to MoEFCC.

WBCSD (<http://www.wbcd.org>)

SLM Business Forum (<http://www2.unccd.int/convention/stakeholders/private-sector>)