Financial incentives to combat climate change and benefit the rural poor

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RUPES
Rewarding Upland Poor for Environmental Services

World Agroforestry Centre
TRANSFORMING LIVES AND LANDSCAPES

IFAD
Enabling poor rural people to overcome poverty

PRESA

Side Event COP 14, Climate Change Mitigation Potential of Agriculture
Poznan, Wednesday 3 December 2008, Fox Room 13:00 – 15:00.

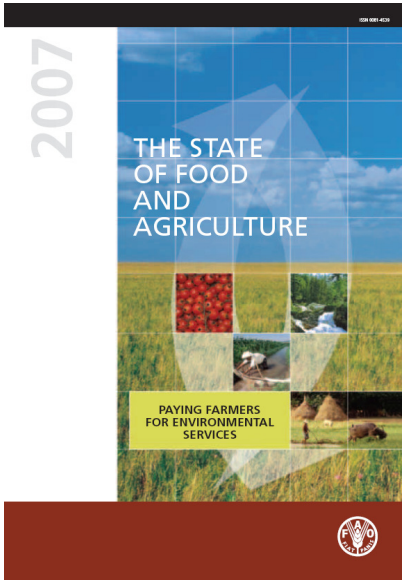
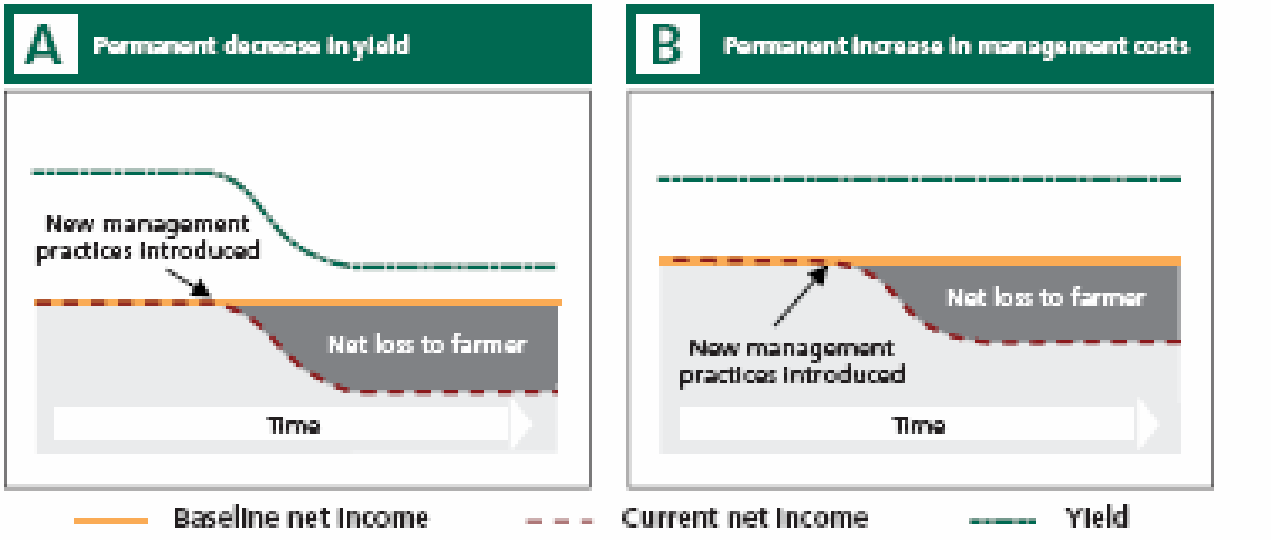


FIGURE 7
Barriers to the adoption of improved management practices: permanent decrease in farm income



Source: FAO, 2007c.

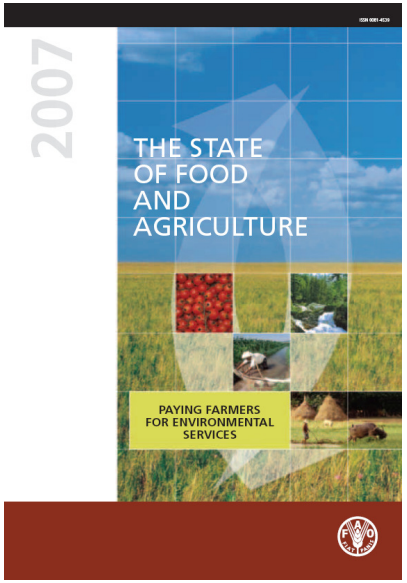
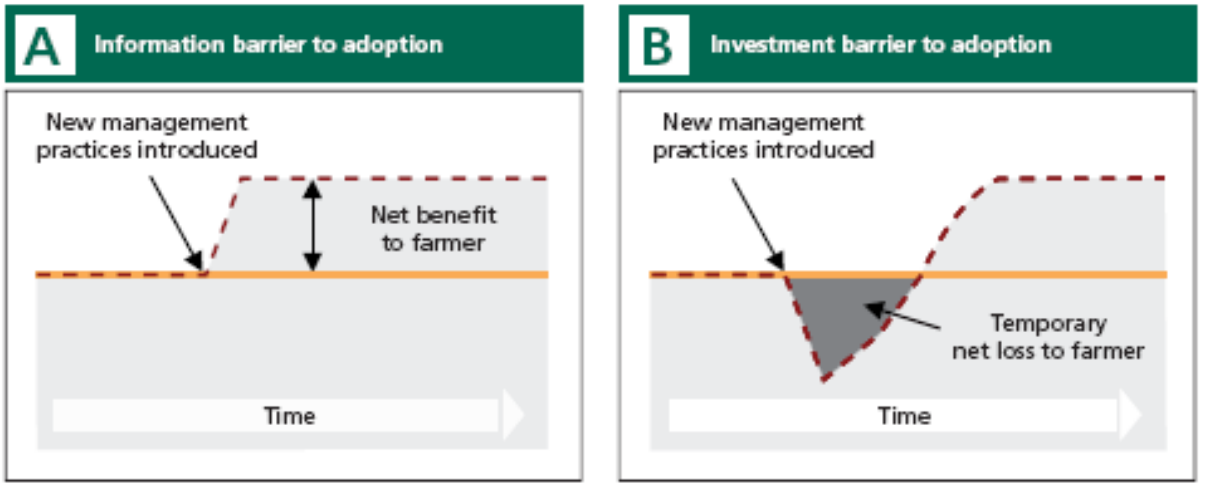


FIGURE 8
Barriers to the adoption of improved management practices: information and investment constraints



Source: FAO, 2007c.

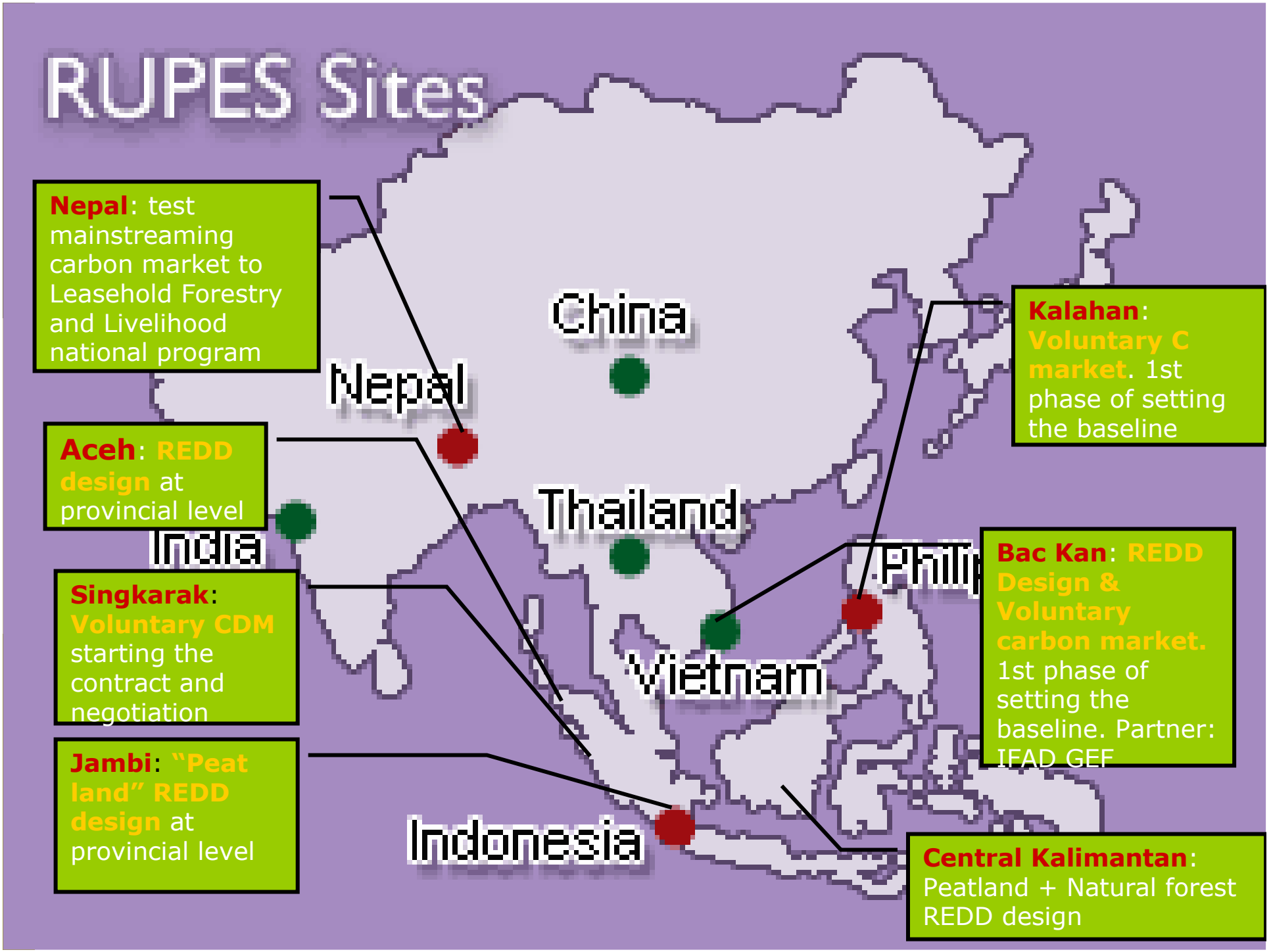
RUPES – Rewards for, Use of and Shared Investment in Pro-poor Environmental Services (Phase-II)

A. National policy framework
B. International and national buyer and investor engagement
C. Environmental service intermediaries enabled
D. Innovations in effective, efficient and pro-poor RES mechanisms
E. Mainstream RES into IFAD rural development initiatives

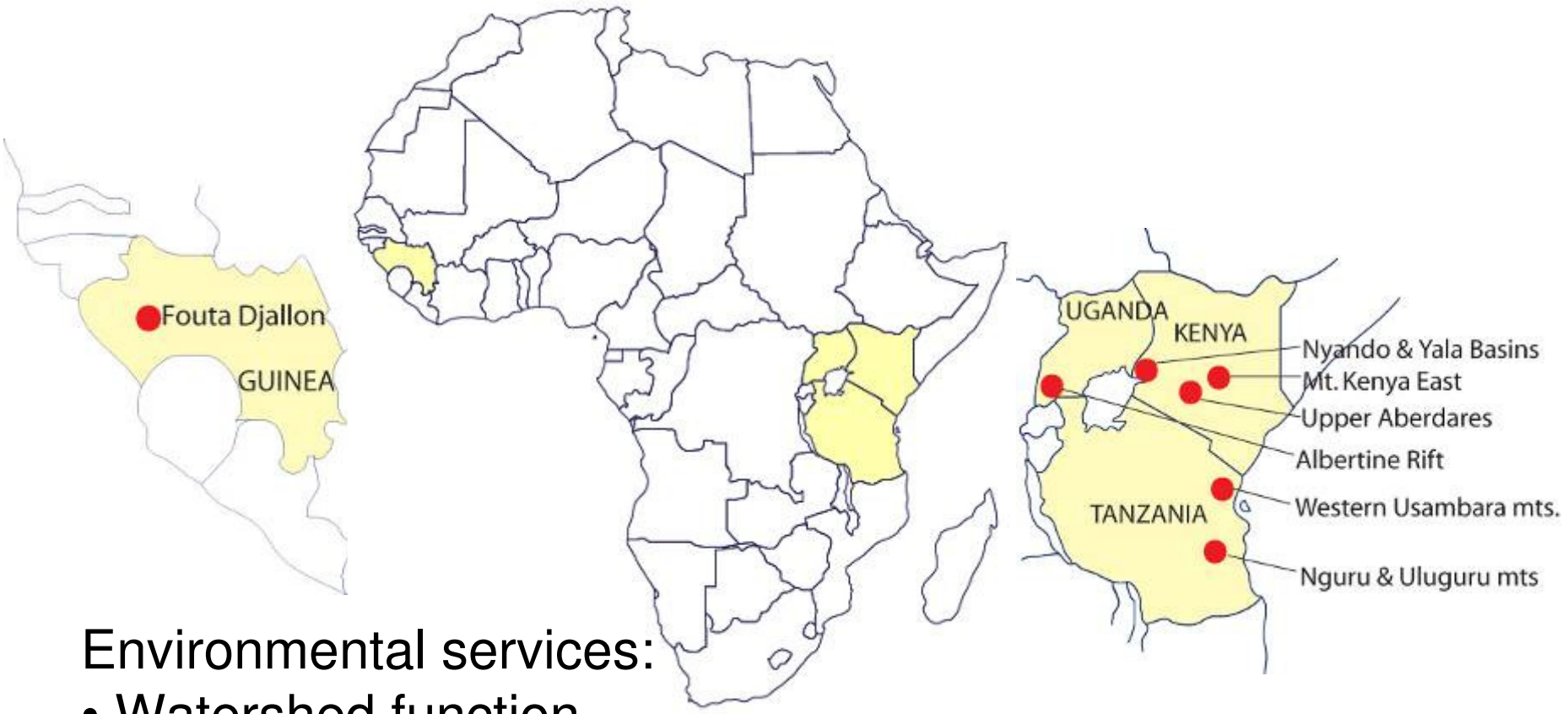
PRESA: Propoor Rewards for Environmental Services in Africa

Objectives:

1. Foster workable environmental service agreements.
2. Catalyze policy support and private-sector participation in environmental service agreements
3. Provide support to researchers, NGOs and government agencies interested in propoor rewards for environmental services in Africa


RUPES Sites
Nepal: test mainstreaming carbon market to Leasehold Forestry and Livelihood national program
Aceh: REDD design at provincial level
Singkarak: Voluntary CDM starting the contract and negotiation
Jambi: "Peat land" REDD design at provincial level
Kalahan: Voluntary C market. 1st phase of setting the baseline
Bac Kan: REDD Design & Voluntary carbon market. 1st phase of setting the baseline. Partner: IFAD GEF
Central Kalimantan: Peatland + Natural forest REDD design
China
Nepal
India
Thailand
Vietnam
Indonesia

PRESA Sites



Environmental services:

- Watershed function
- Biodiversity conservation
- Carbon management (farm and landscape)

Bac Kan – Vietnam

- Vietnamese Government's strong commitment to the Global Agenda 21 and its inclusion of PES
- Pilot activities in 3 districts in Bac Kan Province

Constraints of PES implementation in Vietnam

- **At macro /national level:**
  - **Organizational limitations:**
    - **Overlapping government structures and functions**
    - **Top-down planning and control**
    - **Lack of coordination and high transaction costs**
  - **Institutional limitations:**
    - **Lack of specific regulations for PES**
    - **Low involvement by the poor in planning and decision making**
    - **Insecure land tenure**
  - **Public service capacity**
    - **Poor understanding of pro-poor PES**
    - **Lack of technical methods and skills**

RUPES Rewarding Upland Poor for Environmental Services

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Constraints of PES implementation in Vietnam

- **At micro level:**
  - Limited **understanding** on environmental and PES issues
  - Lack **capacity** of local authorities in developing, managing and monitoring PES
  - Low **responsibility** of private sectors and communities toward ES protection
  - Unclear **direction** from the **Central** Government
  - Weak administrative and financial **decentralization**
  - Difficulty in implementing (especially) 'voluntary' and 'conditionality' criteria of PES
  - Lack incentives for local authority to implement PES

Forestry / agriculture carbon projects in Africa

- 23 projects documented across 14 countries (mix of forestry only, agroforestry, agriculture).
- Total sequestration potential is 26.85 million tCO_2
- East Africa had the largest proportion with 9 projects.
- Other prominent countries – South Africa, Mozambique, Senegal, Mali.

Source: R. Jindal, B. Swallow and J. Kerr, Natural Resources Forum, 2008.

Main characteristics

- Most projects sell carbon offsets in voluntary markets (Biocarbon Fund, TIST, Uganda)
- Others started as research initiatives (Carbon from communities, Mali)
- Some combine sequestration activities with avoided deforestation (Nhambita project, Mozambique)

Major lessons

- Can reduce poverty (eg. additional income up to $100/ household / year; access to sustainable practices and diverse income sources; potential for more secure land rights) but more evidence needed.
- Spillovers can be:
  - +ve (biodiversity conservation) or,
  - –ve (fall in water table due to fast growing exotics).

  → Careful selection of site and species required
- Land users may lose access if property rights are not secure (esp.

Scaling up?

- Africa still represents a small proportion of global carbon credits:
  →more investments needed from multilateral agencies
- High monitoring and contractual costs of working with smallholders:
  →need to reduce transaction costs
- Building institutional capacity at the:
  - national level to identify priorities, and
  - local level to design and implement pro-poor projects
- Good governance: strong determinant of growth in long-term carbon investments

Main conclusions:

- Potential for smallholder agriculture / forestry to be more productive, more sustainable and emit less GHGs
- Financial incentives -- often combined with market, extension, and land tenure interventions -- can help meet this challenge
- Developed countries experiences, voluntary carbon markets and international organizations are main sources of innovation

Implications for carbon finance in UNFCCC

- Programmatic CDM and REDD could help to mobilize and deliver finance
- REDD which focuses on forest / non-forest definitions detract from understanding of the potential of farmers as emitters / sequesters of carbon
- Need for a full-landscape approach to carbon accounting and context-specific approaches to implementation (eg combination of subsidies, taxes, tenure, conditional payments)
- Need for containing transaction costs – eg methods for Annex 1 C-accounting approaches

http: presa.worldagroforestry.org

www.worldagroforestry.org/sea/networks/rupes