# Financing of improved agricultural production can reduce forest losses

**Linking carbon finance and domestic agricultural policies to farm certification can reduce deforestation from agricultural expansion. Such additional finance can increase the number of farmers practicing certified and sustainable agriculture by lowering the farmers’ investment costs for certification and production transition.**

## Why: Shifting farmers away from unsustainable to certified agriculture can reduce deforestation and secure market access

Increased demand for farmland results in expansion of agriculture into tropical forests. This causes deforestation and increases greenhouse gas emissions in many countries in Latin-America, Asia, Africa and Oceania. Important crops that may drive deforestation include soy beans, palm oil and sugar cane. Beef production is also a major driver of deforestation, especially in Latin America. Many farmers are willing to join certification schemes that have strict environmental and social safeguards, including restrictions on forest clearing. For many farmers, however, the initial costs associated with certification are too high for them to join.

Bridging the economic gap through carbon finance that is linked to domestic finance programmes, hence multiplying the effect of the carbon finance, can assist a large number of farmers as they transition to certified agriculture. Once certified, the farmers benefit from market access and various technical supports to improve their production systems. Certification can thus exclude deforesters and environmentally destructive producers from the supply chains.

The Amazon Environmental Research Institute (Instituto de Pesquisa Ambiental da Amazônia, IPAM) is one of the 45 organisations that received support from Norad under Norway’s International Climate and Forest Initiative during the period 2009–2013. IPAM leads a consortium of organisations, commodity roundtables (Roundtable on Responsible Soy, Bonsucro/sugar cane, Roundtable on Sustainable Palm Oil and more recently the Global Roundtable for Sustainable Beef) and private sector companies (Unilever). The consortium aims to build bridges between agricultural commodity roundtables and REDD+ financing. The agricultural commodity roundtables are multi-stakeholder processes that develop voluntary international standards with the participation of a significant share of the entire supply chain. The roundtables focus on ‘pre-competitive’ certification, that is, the exclusion of uncertified producers and processors from markets as opposed to ‘post-competitive’ selection of certified products by well-informed, conscientious consumers who may be willing to pay price premiums on goods they buy.

**Level of support:**

Norad’s support during the period 2009–2012 was NOK 23 million.

This forest, farm and finance initiative carries out research and analysis, REDD+/Producer Support Programme Pilot Projects that develop and test methods to link REDD+ with farm level actors, support multi-stakeholder consensus processes, as well as large scale demonstrations (entire states and provinces) of REDD+’s potential to transform agricultural production and rural development. The work is focussed on the Amazon Basin, Indonesia, and Colombia.

## Results: Synergies between roundtables and REDD+ standards documented and key steps towards market transformation for commodities achieved

A comparison of the principles and criteria of three commodity roundtables with five major global REDD+-related social and environmental standards showed a high degree of compatibility and potential for synergy. The results, launched at the UN Conference on Sustainable Development in 2012 (Rio+20), showed that compatibility was particularly high for key issues such as forest protection and free, prior and informed consent (FPIC). Overall, the standards of the roundtables addressed a broader set of issues than the REDD+ safeguards which primary focus is on forests and forest carbon. The five REDD+-related standards considered were the Climate, Community & Biodiversity Alliance (CCBA), the UN Framework Convention on Climate Change (UNFCCC), the UN Collaborative Programme on REDD (UN-REDD), the Forest Carbon Partnership Facility (FCPF) and the REDD+ Social and Environmental Standards (REDD+-SES).

IPAM also reviews the compatibility of green house gas calculations, monitoring, reporting and verification of various initiatives. This is a key element in the documentation of reduced green house gas emissions and hence the basis for any carbon funding. Providing each roundtable and participating state or province with a clear appraisal of this compatibility allows the roundtables to consider changes in their certification systems that would facilitate linkage with REDD+.

IPAM worked closely with the Government of Mato Grosso State (900,000 km2) in Brazil, the country’s largest agricultural producer and responsible for 40 per cent of the deforestation in the Brazilian Amazon region in the period 1996–2005. By 2012, there was a 90 per cent decline in deforestation from the 1996–2005 average. This massive reduction in deforestation is equivalent to a 0.8 per cent decline in global anthropogenic CO2 emissions to the atmosphere. The causes of the dramatic decline in deforestation are not fully understood. Multiple policy and market interventions have contributed. This reduction is an illustration of the large potential to reduce emissions by slowing deforestation.

In 2009, the Mato Grosso State Government accepted a goal of an 89 per cent reduction in deforestation. IPAM directly contributed to legislation in Mato Grosso for reducing deforestation, responding to the Governor’s request to demonstrate that the benefits of the state REDD programme would be substantially greater than the costs of implementing it. After IPAM presented the analysis, the State Assembly approved the new legislation. IPAM continues to work with the State Government, producers and other stakeholders to increase understanding of the need and potential for designing state REDD+ programmes in alignment with commodity certification. Particular emphasis is placed on the need for a state-wide programme for reducing the deforestation caused by cattle ranching. The Norad-funded programme is also developing mechanisms for translating the State’s emissions reductions of 1.3 billion ton CO2 into incentives for farmers to continue to forego forest clearing.

## Lessons: REDD+ in isolation is not likely to work

IPAM has experienced slower than expected progress in its planned REDD+ work. The slow progress of REDD+ negotiations and the limited filtering down of incentives to those who live and work at the forest frontier have resulted in rising scepticism among partners. This has impacted IPAM’s pilot projects and demonstration activities.

Compatibility and synergies between REDD+ and roundtable standards show that there is a potential for REDD+ to contribute to market transformation for agricultural commodities. IPAM’s experience is that REDD+ has frequently suffered from a lack of integration into mainstream agendas for rural development and domestic policy. A narrow, largely top-down framing of REDD+ prevents engagement with the broader context of rural development and the challenges facing political leaders seeking to attain or remain in office. A reframing of REDD+ is required, including seeing REDD+ as an integral part of rural development processes rather than REDD+ as a separate process.

If REDD+ is to be integrated into a successful agenda for rural development, broader political support may be required to neutralize or redirect powerful elites who control rural agricultural frontier dynamics in many countries. Broader sources of finance and other incentives (e.g. technical support) are also required, and in-country incentives for low-emission rural development models must be created. Such incentives could be clearer links to domestic policies, legislation and access to finance (e.g. agricultural loan programmes) in the areas where agricultural expansion is causing deforestation. This could result in a redirection of increased agricultural production onto lands already cleared and currently performing below their productive potential.

Sources: Project reports, phone interviews and journal articles (*Nature* 483, 517–518, 29 March 2012, doi:10.1038/483517a; *Phil. Trans. R. Soc. B* 368, 22 April 2013)