

Briefing for DFID-PRP Planning Workshop on Agriculture and REDD+, Sept 2011
WRI POTICO: Diverting oil palm expansion onto low-carbon degraded land

The issue: Oil palm is likely here to stay. It is a very versatile and productive crop, with oil yields 10 times/hectare that of soya. Plantations are labor intensive and thus create local jobs. And the crop generates export revenue and contributes to national GDP. However, increasing demand for palm oil is contributing to tropical deforestation. Indonesia, with ~44% of global palm oil supply and most of the planned expansion, is currently at the epicenter of this issue. Oil palm plantations now cover nearly 8 million hectares of the Indonesian archipelago and are projected to cover an additional 5 million hectares by 2020. More than 50% of the country's existing oil palm plantations were established by clearing natural forests. This loss of forests and peatlands to oil palm plantations can have numerous negative impacts including significant greenhouse gas emissions, biodiversity loss, social disruption or even conflict, and diminished livelihoods for local or indigenous communities. For the sake of people and the planet, it is therefore imperative to find ways to break the link between palm oil and tropical deforestation.



A tract of low-carbon, degraded land in West Kalimantan, Indonesia. Photo: WRI/Sekala

Interestingly, Indonesia has at least 6 million hectares of “degraded land”, with some estimates going much higher. In this context, “degraded land” does not necessarily refer to poor soil quality. Rather, it refers to areas that are already clear of their natural forest cover, currently contain low levels of biodiversity and low stocks of carbon, and are not presently used for productive agriculture or human habitation. Alang-alang grasslands (*Imperata cylindrica*) can be an example of such areas in Indonesia.

Description: WRI's Project POTICO seeks to prevent deforestation in Indonesia—and enable sustainable supply of palm oil—by diverting planned oil palm plantations away from natural forests and onto these degraded lands instead, and by enabling the sustainable management of natural forests previously slated for conversion. To achieve this goal, POTICO is pursuing a simultaneous two-prong strategy:

- **Pilots.** It is pursuing pilot “land swaps” between not-yet-exercised plantation licenses on forested land and degraded lands. Pilots demonstrate viability, identify obstacles and solutions, and blaze a trail for others.
- **Policy.** It is engaging leaders from government, industry, and NGOs to generate political and financial support for the degraded lands utilization strategy, for land swaps, and for ensuring all future licenses are granted only on low carbon degraded lands. Likewise, the project is creating systems to scale up impact.

How does it contribute to REDD+: Project POTICO aims to contribute directly to REDD+ by reducing conversion of natural forests and peatlands into oil palm plantations in Indonesia. POTICO achieves this by diverting oil palm plantation expansion to low-carbon, degraded areas and sparing natural forests that otherwise would have been converted to oil palm plantations. Consequently, POTICO seeks to enable Indonesia to “have its palm oil and forests too” by enabling agriculture-led economic development and rural livelihood improvement to go hand-in-hand with greenhouse gas emission reductions and forest conservation.

Constraints: There are several underlying obstacles to Indonesia realizing widespread diversion of oil palm plantations toward low-carbon, degraded lands:

- **Technical.** Policy-makers lack the accurate land cover and land use spatial data needed to implement an effective degraded land utilization strategy. POTICO is countering this by producing maps showing exactly where degraded lands physically suitable and economically viable for oil palm are located in Indonesia.
- **Social.** For an oil palm plantation to be sustainable, it needs to be on degraded lands that are not only physically suitable and economically viable but also socially acceptable to local communities. Drawing from its field pilot experience, POTICO is producing “how to” guidance for oil palm companies and government officials, detailing how to permit and develop plantations on degraded lands in accordance with best practice social procedures—including community mapping and FPIC.
- **Legal.** Some degraded tracts of land that are physically suitable, economically viable, and socially acceptable for sustainable oil palm may not be currently legally available for oil palm development because they are zoned as “Forest Estate” despite being devoid of trees. POTICO is piloting a rezoning process to legally and fairly unlock low carbon areas for agriculture, developing recommendations, and “how to” guidance.

- **Enforcement.** In order for a degraded lands utilization strategy to be effective, stakeholders such as palm oil buyers, governments, NGOs, and international investors need to be able to identify implementation short-falls and take corrective action. Likewise, oil palm companies need to know that on-the-ground activities are being monitored, creating a deterrent to clearing new forests. POTICO is building an online forest monitoring system for Kalimantan that provides timely and accurate spatial information on forest cover change and plantation establishment. This system can help with national MRV, as well.

Potential for scale-up: The first phase of Project POTICO has focused on West and Central Kalimantan (on the Indonesian portion of Borneo). The potential for scaling up across geographies and commodities is very significant. The project’s strategy, methods and tools, “how to” guidance, and financing and policy recommendations can be applied across all of Indonesia as well as in other regions facing rapid oil palm expansion (e.g., West Africa, Brazil, Colombia). Likewise, they could apply to other commodities in other countries (e.g., cattle in Brazil) where restoration of degraded land for agriculture could relieve pressure on forest conversion.

Who is leading the project and who else is involved: Project POTICO is led by the World Resources Institute (WRI), a global non-profit environmental organization that goes beyond research to find practical ways to protect the planet and improve people’s lives. WRI’s core Indonesian field partner is Sekala. Other partners include the Puter Foundation, Indonesian Centre for Environmental Law, and Rainforest Alliance. WRI also engages several oil palm companies, palm oil buyers, the RSPO, the PRP, the Indonesian REDD+ Task Force, and the Norwegian government in executing the project and conducting outreach.

Current status and plans: POTICO has made significant progress in phase 1 of the project. It developed the economic business case for oil palm use of degraded land. It created a systematic methodology for identifying degraded lands that are physically suitable, economically viable, socially acceptable, and legally available for sustainable oil palm development. It generated the first-ever detailed, field-verified maps of degraded lands potentially suitable and viable for sustainable oil palm (in West and Central Kalimantan). It initiated the first ever land swap of natural forest for degraded land for the purposes of oil palm development; the swap is at the final stages of approval. In addition, the project built political support for the degraded land utilization strategy among industry and Indonesian government officials (e.g., national development planning agency, REDD+ Task Force, district and provincial leaders). Diverting oil palm to degraded land is now a pillar of the country’s REDD+ strategy. Currently, POTICO is developing the online degraded land identification system, preparing the “how to” guides, and creating the forest cover monitoring system (see “Constraints” above).

Building on the foundation of phase 1, WRI is preparing next steps. For phase 2 in Indonesia, the project will:

- Train government, industry, and NGO officials on how to apply the systems and guides POTICO developed.
- Assist government agencies in implementing large-scale “classification swaps” wherein low-carbon degraded areas currently zoned “Forest Estate” are rezoned for agriculture (e.g., oil palm) while an equivalent amount (or more) of natural forest currently zoned for conversion is zoned to remain natural forest, utilizing best practice social engagement procedures.
- Accelerate roll-out of measures and incentives to conserve/sustain forests “spared” by land swaps, including community-based forest concessions, ecosystem restoration concessions, and real-time monitoring.
- Strengthen community mapping and associated measures to create conditions for proper FPIC processes.

Also during Phase 2, WRI seeks to implement a two-fold “scale-up” strategy. The first is to introduce and apply the POTICO approach in other regions facing rapid oil palm expansion (e.g., West and Central Africa, Brazil, Colombia). The second is to introduce and apply the POTICO approach to other commodities (e.g., beef/cattle) where restoring degraded land for agricultural use could relieve pressure on forest conversion.

Funding requirements and sources: For Project POTICO’s phase 1, the forest products firm New Page provided the foundational grant. The IFC’s BACP, the Dutch government, Walmart, Johnson & Johnson, and Unilever have provided additional top-up funds to help complete this phase. For phase 2, WRI respectfully seeks a 7-figure, 3-year cornerstone grant. This grant would leverage the investments and progress achieved in phase 1 and the recent alignment of political and market conditions for utilizing low-carbon degraded lands.

Further information: Moray McLeish, Project Manager, WRI mmcleish@wri.org
 Craig Hanson, Director, People & Ecosystems Program, WRI chanson@wri.org

SHARP: Smallholder Acceleration and REDD+ Programme

Briefing September 2011



The issue: Smallholders play a central role in the palm oil (PO) sector. As PO expands into new areas, particularly Africa, the contribution of smallholders in the sector will be core to improving livelihoods and securing global supply, but some challenges remain. Smallholders often lack access to information and support on good agricultural, social and environmental management practices. As a result, yields are low (typically 50% or less than commercial plantations); product quality is inconsistent; prices received are below market rates; and impacts on the environment, including deforestation and loss of biodiversity can be significant.

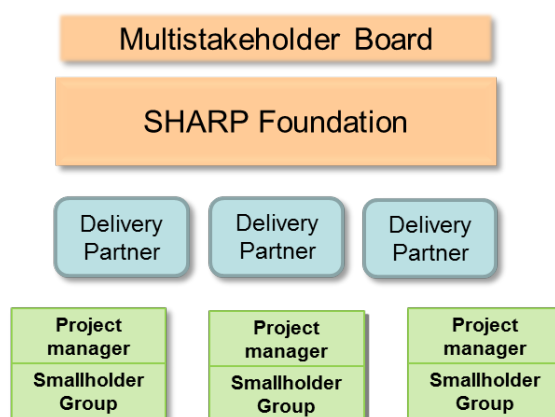
Description: The SHARP Programme will support smallholders in the PO sector overcome key barriers and achieve better performance. SHARP targets improving livelihoods, increasing yields, minimising environmental and social impacts, improving market links and greater clarity about land tenure and use rights.

To achieve this, SHARP has brought together the private sector, NGOs, financiers, supply chain actors and governments to work in collaboration with smallholders. SHARP is being established as a non-profit, independent foundation to oversee the programme and manage and monitor funds for projects within the programme. The Foundation will be overseen by a Multistakeholder Board made up of project partners.

SHARP activities will be carried out by Delivery Partners, including many current SHARP partners and others. This is to both minimise costs to develop new institutions and structures, as well as to strengthen and build upon existing programmes and approaches.

SHARP will work with smallholder groups that already are, or can become, part of the supply base to Roundtable on Sustainable Palm Oil (RSPO) certified estates and mills. Each smallholder group will be represented by a Project Manager – which can be any appropriate organisation (e.g. a co-operative), an NGO, a company or a community group. A Project Manager will apply to SHARP for support by setting out the current situation of their group and what areas or issues they need addressed to achieve good practices and comply with RSPO. SHARP will support activities that:

- Help smallholders to **increase yields** by improving agricultural practices, replacing low-yielding palms with higher-yielding varieties (if necessary), techniques for appropriate use of fertilisers, etc.
- Help smallholders understand and implement best practice to **minimise environmental and social impacts** - including avoiding conversion of forest in new planting areas.
- Train company staff on **adapting company best practices** to working effectively with smallholders and boosting smallholder production channels.
- **Improve livelihoods** through training and support to build effective co-operatives, negotiate fair prices and plan for future activities including replanting.
- Support companies and smallholders to understand and implement best practice in managing issues of **land tenure and use rights**.
- Improve **market links** through better communication and understanding along the supply chain from producer to final retailer.
- Encourage **shared learning** between different smallholder groups both within a country and between countries.



How does it contribute to REDD+: SHARP will reduce deforestation both directly and indirectly:

- **Reducing deforestation:** SHARP will work with smallholders to minimise, or altogether avoid, conversion of forest areas to be cleared for new plantations.
- **Increasing production on existing agricultural land:** to reduce pressure to convert forests while still producing enough for a growing global population, agricultural production on existing land must increase. Smallholder yields in the PO sector are typically only half those of commercial plantations so there is huge scope for improvement.

Constraints: The considerable experience of working with smallholders in the PO sector, and in agriculture more widely, shows that achieving improvement is not so straightforward. Each group of smallholders faces specific challenges and needs specific attention and solutions. There are two features of SHARP to address this: (1) SHARP works with PO companies that already have staff on the ground who, with some additional training and support, will be a major resource; and (2) SHARP works through existing organisations and initiatives, building and strengthening resources that are already familiar and effective in different environments.

Potential for scale-up: One of the most exciting features of SHARP is the potential for rapid and effective scale-up both within and between countries because of the involvement of PO producing companies and financiers. As companies engage with the SHARP programme they will be able to involve the smallholders supplying them (usually between 30% and 60% of the supply base for each mill) thereby extending the impact of the programme throughout the areas where they work. This should give SHARP access to large numbers of existing smallholders. At the same time financial institutions are indicating interest in linking commercial and multilateral financing for smallholder expansion to SHARP participation to encourage and support good practice.

Who is leading the project and who else is involved is involved: SHARP was conceived by Sime Darby, the largest PO plantation company in the world. The development phase is led by a Secretariat comprising Sime Darby, Proforest, Solidaridad and The Forest Trust with active input from a wide-ranging partnership including the finance sector (IFC, Zurich, Rabobank), NGOs (Conservation International, WWF, Flora and Fauna Int'l), supply chain (Unimills), certification organisations (RSPO, BBOP) project managers (PwC, GBP Int'l) and development organisations (GIZ, USAID, DFID).

The SHARP Foundation will be an independent organisation overseen by a Multistakeholder Board including representatives of the programme partners. Delivery of the project activities will involve both the SHARP partners and other existing initiatives in the sector.

Stage of development, plans and timelines: SHARP is currently nearing the end of the development phase. The partners have held two physical meetings (London and Jakarta) to discuss programme objectives, concepts, design and implementation. With the basic concept now agreed by all partners, the next meeting to finalise programme design will be at the RSPO Roundtable in November followed by a meeting in Liberia in December. Implementation is planned to begin in early 2012 with the establishment of the foundation and work starting on 3-4 initial projects.

Funding requirements and sources: Sime Darby has committed to funding the entire development phase to date and until the Liberian meeting in December. Sime Darby will then commit to establish the foundation with support from other partners and a range of funders to ensure independence of the SHARP organisation. Funding needs will include both core costs for the foundation and funds for specific activities.

- **Core costs:** The core running costs for the SHARP foundation are expected to be relatively small due to the model adopted where most activities will be undertaken by partners while the foundation has a small staff to manage the funds received and provide oversight and monitoring of SHARP projects. Core funding will be sought from development funding to cover the first 3-5 years including developing the programme of activities and seeking further funding.
- **Activities:** Funding is expected to be a mix of commercial finance, national government funding and development aid depending on the activity. For example, for activities related to yield increases or improved market links, commercial or national government loans or grants may be available while for activities such as those related to reducing environmental impacts or clarifying land rights, funding will be sought from development organisations or foundations.



Innovative Climate-smart Agriculture Finance (CAF):

Meeting economic development, poverty alleviation and food security needs while providing climate adaptation and mitigation benefits

Forest Trends, UNIQUE, Climate Focus, and the Nature Conservation Research Centre—in collaboration with additional African partners and with seed funding from the Rockefeller Foundation—are designing “Climate-smart Agricultural Finance” models that deliver climate resilience and mitigation gains, improve agricultural productivity, protect natural ecosystems, and leverage public as well as new private sector finance. Our goals are to demonstrate practical designs and build political support for climate finance that leverages private sector investments into Africa. These investments are aimed at providing access to the technology and financing that smallholder farmers in developing countries need to overcome barriers that currently impede both greater resilience and increased productivity in a sustainable manner.

To achieve these objectives, the team is developing a variety of pathways to foster sustainable climate-smart agricultural intensification, particularly for smallholder farmers. The approach is to craft broadly applicable models, while focusing on the site-specific issues associated with particular crops in certain countries and regions. Through this work, the team is currently developing:

- 1) **Screening and Evaluation Tools** that enable identification of legal, commercial and institutional preconditions as well as specific commodities most amenable to transformation programs, and key gaps to be addressed within successful intervention strategies.
- 2) **Pilot Transaction Models**, such as approaches to financing practice changes in the Ghanaian cocoa and the Ethiopian coffee sectors. Our local implementation partners aim to achieve financial closure on these pilot programs this year in order to implement in 2012. We also aim to add, over time, new crops (oil seeds, maize, cassava, millet, sorghum, livestock), and countries (Uganda, Kenya, Tanzania, etc.). The pilots are the centerpieces of this program, and are described below.
- 3) **A Community of Practice**, that fosters increased implementation of climate-smart agricultural practices and enhances in-country capacities by sharing lessons learned. Overall, this community should enable cross-pollination of ideas, and testing of models across different commodities and/or across political boundaries. It should also provide information to further refine the screening and evaluation tools and transaction models.

Pilot 1: REDD+ Climate-Smart Cocoa in Ghana: The Cocoa Carbon Initiative

This project seeks to alter the economics of deforestation from unsustainable cocoa farming by providing cocoa farmers and cocoa farming communities the opportunity to benefit from climate finance that is linked with improved access to agronomic, economic and information resources. In order to do this, the project is working at two crucial scales, the national, sector wide scale and the local level. At the sector level, it has convened a *Climate-smart Agricultural Finance* (CAF) working group made up of key public and private cocoa sector stakeholders to outline a business model and critical pathway towards climate-smart cocoa production in Ghana. In addition, the working group is focused on attracting fast-start climate finance that can help support the development of private sector mechanisms, including loan guarantees and insurance products; up-front funding to support the costs of implementing new policies and practices, notably the provision of extension and input supply services and products; and financial support to reduce initial uncertainty and risk for the private sector. This model will be piloted in two typical cocoa farming landscapes.

At the pilot or local level, the project goals are three-fold: 1) to reduce emissions from deforestation associated with expansion into Forest Reserves and other high carbon-stock lands, and to enhance carbon stocks in low-shade systems; 2) to improve livelihoods through significant yield increases on-farm and access to mitigation and adaptation benefits; 3) to promote biodiversity conservation and ecological resilience of the cocoa farming landscape. The farmer associations, extension services, licensed buying companies and other relevant institutions within the cocoa and forestry sectors will be involved in a renewed and dynamic collaboration, and a Community Resource Management Area (CREMA) model will be used to engage local communities.

How does it contribute to REDD+ and emissions reductions: Ghana has one of the highest deforestation rates in Africa. At approximately 2% per year, as cited in Ghana's REDD+ Preparatory Proposal (R-PP), the country has lost approximately 85% of its forest cover over the past 100 years. One of the main drivers of deforestation and degradation in the high forest zone is clearance for cocoa farms. Under the business-as-usual scenario, a number of structural and institutional bottlenecks persist which makes it very difficult to change this relationship. Some of these bottlenecks include: 1) the withdrawal of national cocoa extension services in the late nineties and the limited availability of alternative extension programs; 2) conflicting and perverse policy incentives and agency messages to farmers, 3) limited access to requisite farm inputs on appropriate credit terms; 4) inadequate access to hybrid varieties, and 5) the absence of risk management insurance and other products for reduced yields due to adverse weather conditions and/or crop losses from pests and diseases.

In addition, Ghanaian national policy has two clearly stated, but as of yet disconnected and opposed goals, namely to increase and sustain annual cocoa production to 1,000,000 tons, and to Reduce Emissions from Deforestation and Forest Degradation (REDD), as outlined in the R-PP. Under the business-as-usual scenario, cocoa production cannot increase and sustain itself at scale without further deforestation into gazetted forest reserves that continues to occur on a significant scale. Similarly, there is no way to significantly reduce carbon dioxide emissions from agriculture and land-use change without halting and possibly reversing the expansion of new cocoa farms.

The project therefore aims to use climate-finance to spur a sector-wide transformation to a climate-smart cocoa production system. At the pilot scale—approximately 110,000 ha—the sustainable intensification strategy combines increased shade cover with other activities. In the project scenario, cocoa management would result in higher productivity, while increasing the climate resilience of the cocoa systems as fertilizer and shade trees contribute to both higher yields via intensification and better litter decomposition rates and higher drought resistance. The project scenario will also reduce the degradation and deforestation pressure on forest reserves and forest/trees in the off-forest reserve areas leading to the maintenance and enhancement of carbon stocks in the landscape. However, strict enforcement of land use planning at the community level has to be a key measure of the best practice cocoa management system so as to prevent situations where increasing productivity will increase deforestation. This will be achieved via the Community Resource Management Areas (CREMA) structure.

In total, the project will deliver estimated emissions reductions of approximately 8.9 million tCO₂ over a period of 20 years with an annual average of 440,000 tCO₂. If monetized on an annual basis, the total value of the sequestered carbon or avoided carbon emissions will amount to US\$ 480,000 in year 1, increasing to US\$ 3.2 million in year 9 and US\$ 2.7 million in year 20.

Potential for scale-up: The climate-smart cocoa intensification and land-use planning model and associated financial mechanisms will be piloted at two sites, which are representative of typical, but distinct, cocoa growing conditions and landscapes. Once piloting is underway, lessons and results can be demonstrated, enabling government and private sector entities to adopt and adapt the model, as necessary, and expand it across all appropriate cocoa growing zones, including neighbouring Liberia.

Catalysed and facilitated by the Nature Conservation Research Centre (NCRC) and Forest Trends/Katoomba Incubator for Ecosystem Services, in partnership with Climate Focus and Unique forestry consultants, the Ghana CAF working group members also include representatives of nineteen national and international institutions engaged in the financial and insurance sectors, as well as licensed buying companies, government institutions, NGOs, cocoa farmer associations, donor agencies, research institutions, agricultural input companies, and information management companies.

Pilot 2: Climate-smart Coffee in Ethiopia

Ethiopia is the second most populous country in Africa with a population of approximately 91 million. It is also one of the world's poorest countries, with a per capita annual income of USD\$543, ranked 157 out of 169 countries in the Human Development Index. Agriculture is the backbone of the Ethiopian economy, accounting for 45% of its GDP and 85% of its total employment. The agricultural sector suffers from frequent droughts and poor cultivation practices resulting in nutrient mining. About 95% of the agricultural output is produced on small-scale subsistence farms in the highlands of Ethiopia. In total, 12.3 million hectares is under agriculture, with an average farm size of less than 1 hectare. Most of the crop production increases within the last decade are related to area expansion, while per area productivity remains low.

Coffee contributes about 40% of the nation's entire foreign exchange earnings. Ethiopia is the sixth largest coffee producer, with a global market share of about 4%. The coffee covers approximately 0.6 million hectares and about 95% of the entire coffee is produced by smallholder farmers. Approximately one-third of the rural population is engaged in coffee production. Oromia is the major coffee producing region with about 63% of Ethiopia's entire coffee production.

Emissions reductions: Our research and testing concluded climate-smart coffee practices—including improving agronomic practices and implementing shade tree planting—can lead to increased productivity and carbon stock enhancement. For example, planting 40 shade trees per hectare, including fruit trees, enset, and legumes, can increase annual biomass and soil carbon from 60 tCO₂/ha in year 1 to 168 tCO₂/ha in year 20, close to the carbon equilibrium. In addition, it is estimated that activities will double productivity while enhancing livelihoods and climate resilience of smallholder farms.

Potential for scale-up: The largest climate-smart coffee production intensification potential was identified in the garden coffee systems in West and East Harerghe, home to one of the most famous coffees. The project will start with about 15,000 coffee farms in these zones, and expand to 190,000 coffee farms over a 5 year period. The extension system will integrate and train existing workers as well as recruit 15 newly employed extension workers. This approach will ensure necessary services to provide farmer groups with the skills required to adopt and to monitor best coffee management practices and related climate mitigation and adaptation benefits.

Led by Climate Focus and UNIQUE, with Forest Trends and the Nature Conservation Research Centre, the CAF team has developed three components for climate-smart coffee in Ethiopia. The first is a technical management package, which includes the identification of potential for intensification and needed improvements in inputs, agronomic and management practices (including the use of shade trees), harvesting, processing, and marketing. This “package” also includes an economic analysis of expected cash flows (costs and revenues), including a sensitivity analysis to parameters such as coffee and labor prices, as well as the identification of risks and mitigation strategies. The second component is the design of an investment case for the private sector supported by climate public finance. A public donor would provide upfront project development costs, including an MRV system and a loan guarantee or interest rate discount to a local financial institution (Oromia International Bank), for a credit line to qualified borrowers: the Coffee Union, cooperatives, farmer groups and private sector intermediaries. The third component is the building of political support. This plan is currently being discussed with the Ethiopian Environmental Protection Agency, Ministry of Agriculture, and the Climate Change Forum in Ethiopia. We are also discussing the ownership of the climate finance facility with Oromia International Bank and endorsement from the Oromia Coffee Farmers Cooperative Societies Union, and Oromia Wildlife and Forest Enterprise.

Building on these pilots, adding other crops and countries, the CAF models will, in summary, demonstrate that 1) climate finance can catalyze significant benefits for smallholder farmers through the adoption of climate-smart agricultural practices that concurrently increase (risk adjusted) average yields and capital stocks, build climate resilience, and diversify household income. 2) It will also show that it is possible to develop cost-effective monitoring and evaluation systems to demonstrate adaptation and mitigation benefits that justify increasing climate finance and agricultural investments. 3) Additionally, the CAF models will demonstrate that the strategic use of new sources of finance can increase access to agricultural knowledge and information, inputs and financial services such as investment loans, and leverage significant private investment in smallholder agriculture. 4) Finally, the CAF models will demonstrate that agricultural programs can contribute to a country's climate goals through the strengthening of integrated adaptation and mitigation performance and benefit monitoring systems.

Briefing for DFID-PRP Planning Workshop on Agriculture and REDD+ Sustainable Landscapes: Cattle Ranching Intensification and Ecological Restoration in the Atlantic Rainforest

The issue:

The project aims to integrate increased agricultural production with the conservation and restoration of natural forest ecosystems, leading to the enhancement of carbon stocks, decreased emissions from the livestock sector and decreased deforestation pressure in the Cerrado and Amazon biomes. The enhancement of forest carbon stock alone would sequester 7,5 GtCO₂ by 2040.

The biodiversity co-benefits are estimated to make it the largest conservation project in history worldwide in terms of avoided extinctions while substantial social impacts would arise from the creation of tens of thousands of jobs that would primarily target the lowest income class in Brazil.

The sustainable intensification of production in current agricultural lands has been suggested as a key solution to competition for land between natural ecosystems and agriculture. Nowhere has this conflict reached the magnitude observed in Brazil. Brazil is the world's second-largest agricultural producer, with the largest forecasted increases in output over the next four decades of any country worldwide. At the same time, Brazil is the world leader in deforestation, the nation richest in forest carbon and the most biodiverse country on the planet.

The Atlantic Rainforest of Brazil is a carbon rich biome (121 tonnes of carbon per hectare on average) whose high diversity of species and massive deforestation (only 8% of the original biome is left) has earned it the title of "the hottest of hotspots". It also hosts 62% of the Brazilian population and 80% of its GDP, making it the most vital biome in terms of local and regional ecosystem services. For these reasons, in 2009 a group of leading NGOs, governmental agencies and private companies have launched the Pact for the Restoration of the Atlantic Rainforest (PRAR), an initiative aimed at restoring 17.8 million hectares of the biome.

The PRAR, however, did not originally consider the competition for land issue that would arise from such large scale project, nor did it consider financial mechanisms that would make it viable (despite estimating a US\$ 72 billion implementation cost over 30 years). The GAEA Institute has been invited by some of PRAR leading organizations to develop and implement a comprehensive plan that addresses these shortcomings, by i) integrating plans to restore natural ecosystems with plans to increase agricultural production, in particular through the intensification of pastureland areas; and ii) develop business and investment cases that would make the project attractive to a range of private investors.

Description:

The project consists of four parallel parts.

1. Development of a coordinated land-use plan for the biome, taking into account restoration and intensification priorities.
2. Development and implementation of on the ground partnerships with land-owners, providing agricultural extension, restoration support and assistance towards legal compliance.
3. Financial engineering, coordinating the early stage (mix of public and private) and late stage (mainly private) financial architecture and fundraising effort.
4. Pure and applied research exercise, coordinating the design and implementation of early stage field projects covering all aspects of the process in order to advance theoretical and practical knowledge for implementation of combined agricultural intensification and environmental conservation projects in Brazil and elsewhere.

How does it contribute to REDD+:

The project directly contributes to climate change mitigation through REDD+ goal of "enhancement of forest carbon stocks". The long term goal of restoring 17.8 million hectares of Atlantic Rainforest would sequester 7.5 GtCO₂. The project also contributes to reducing demand for additional agricultural land, which results in less deforestation in the Amazon and Cerrado biomes.

Constraints:

The four main constraints are:

- i) implementing higher productive systems in pasturelands at scale;
- ii) the availability of seeds and seedlings for large scale reforestation;
- iii) coordinating land-use planning for agricultural expansion and ecological restoration and
- iv) availability of upfront finance.

Constraints are being addressed, respectively, by i) partnering with several on the ground extension companies; ii) mapping existing and incentivizing the creation of new tree nurseries, and promoting natural regeneration to reduce costs; iii) facilitating coordination between federal, state and local land-use planners, and key NGOs; iv) developing business and investment cases for private partners, governmental and multilateral organization, and promoting the project in specialised forums.

Potential for scale-up:

From the outset the project has been developed with a massive scale end goal, and a first version of a biome-wide plan has been finalised. On the ground planning activities and partnerships are currently being developed for pilot and early-stage implementation. These pilot and early projects have been strategically developed in order to provide both evidence-based lessons and momentum for the next phases, in line with the biome-wide plan. The project aims to achieve financial maturity and competitive, low-risk returns in order to be primarily financed by the private sector in later stages. The Atlantic Rainforest has been chosen as the first target for this approach due to better infrastructure and land-tenure condition, spare land potential and carbon and biodiversity benefits. At latter stages this model could be applied to other biomes and Brazil at large.

Who is leading the project and who else is involved:

The project is an initiative of the GAEA Institute and currently involves EMBRAPA, Vale S.A., Accenture, Conservation International and the government of the state of Espirito Santo. Ongoing conversations indicate potential partnerships with the Ministry of Agriculture, the Ministry of Environment, IFC, KfW, GEF, INPE and WWF-Brasil, amongst others. A number of private extension and restoration companies are being analysed in order to guarantee on the ground implementation by experienced partners in each region.

Current status and plans:

The first stage of the project, developing and coordinating a land-use plan, is underway. A first version of the biome-wide plan has been finalised, and the government of a key state, Espirito Santo, has offered to implement the plan. The GAEA Institute and partners are developing the strategic plan to increase that state's forest cover by 50% until 2025 while increasing agricultural production. Conversations are underway with other main states and the federal government. The third part, financial engineering, is also underway and the first investment and business plans will be ready by COP 17. We aim to guarantee financial resources to announce a large scale pilot project by Rio2012, and are already in the process of identifying key partners and strategic microregions for practical implementation. As soon as this is secured, we plan to host an international scientific call for proposals of field experiments that would maximize the outcome of the planned scientific component.

Funding requirements and sources:

A detailed funding plan is being developed. Approximately US\$ 1 million have been secured so far for the design of early plans in the state of Espirito Santo, and the government has pledge US\$ 125 million for implementation of restoration activities until 2014. We aim to raise US\$ 500 million – US\$ 1 billion in 2012 for pilot projects from a multitude of sources, including: public resources (international, national and state level), subsidised credit from the Low Carbon Agriculture plan of Brazil's Federal Government (est. US\$ 2 billion available in 2012), pre-selling of carbon credits and timber revenues, and private investors. The project then aims to be sustainable over the long run, providing competitive rates of return to private investors. Seed finance of US\$ 1,75 million for 2012 would be needed to hire a core professional team and legal assistance in order to refine a marketable plan and develop an early pipeline of projects so that the project can then leverage substantial private sector and governmental funds potentially available.

Further information: Please contact Bernardo Strassburg – b.strassburg@gaeainstitute.org

Briefing for DFID-PRP Planning Workshop on Agriculture and REDD+ GTPS – Sustainable Beef Working Group

The issue: Hunger is one of mankind's major challenges: there are more than 7 billion inhabitants but barely 1 billion people starving. And there is a raising concern about water and land scarcity. In 2010, 33% of Earth surface was covered by crops or grazing, 60% for livestock production (3.4 billion ha). Brazil cattle herd has 200 million heads disperse in 170 million hectares (~ 20% of country) and the country is the 2nd beef producer and the 1st exporter (33% of total global trade). Livestock not only contributes to but also bears the brunt of climate change. So, what must we do now? How do we use fewer resources or use them more efficiently? This is all about innovation, but not just in science, but in building multi-stakeholder coalitions to address world challenges quickly and wisely. We host 3 rounds of multistakeholder consultation processes, led by Dow AgroSciences, a member of GTPS, to decide the 3 key challenges for all Brazilian cattle supply chain to achieve a more sustainable chain. We cannot provide all the solutions or address all the issues by ourselves, but together, with key partners and supporters, we have more chance to ideate and implement better solutions. The members of the GTPS are proactive given these challenges, leading dialogue and creating agreements to work towards sustainable cattle farming, aware of the social and environmental responsibility held by all those involved.

Description: The GTPS was set up in late 2007 and formally constituted in June 2009. It is made up of representatives from different segments from the cattle farming value chain in Brazil. Representatives from companies and organizations in the sector, farmers' associations, retailers, banks, organizations from civil society, research centers and universities take part. The GTPS transparently debates and formulates principles, indicators and common practices to be adopted by the sector which contribute to the development of sustainable, socially just, environmentally correct, and economically viable cattle farming. In this context, it is essential that all the segments that comprise the value chain, and also civil society, be involved to achieve this aim. The GTPS and all its members have committed to zero deforestation, with the creation of the conditions and forms of compensation to make it viable. To fulfill this commitment, the Working Group on Beef Farming has committed to developing monitoring and tracking tools and mechanisms for production, purchasing and finance criteria, as well as economic incentives to promote sustainability in cattle farming. The GTPS has strong governance, with executive committee, board of directors and fiscal board, elected in assembly. We also have 3 executive chambers to debate and propose actionable plans to pave the road to social, economic and environmental sustainability.

How does it contribute to REDD+: The GTPS and all its members have committed to zero deforestation, with the creation of the conditions and forms of compensation to make it viable. To fulfill this commitment, the Working Group on Beef Farming has committed to developing monitoring and tracking tools and mechanisms for production, purchasing and finance criteria, as well as economic incentives to promote sustainability in cattle farming.

As a coalition, with more than 50 key stakeholders inside all the livestock value chain we believe that we created a proper environment to enhance the productivity, helping to reduce deforestation in both sides: raise more cattle in less area and so, releasing areas to others crops and so, helping to reduce the pressure in new areas.

Constraints: Financial mechanisms to support REDD+ projects; Guarantee of zero deforestation. Demands government control and higher engagement of all stakeholders. GTPS proposed a partnership with IBAMA (Environmental Agency) to support the deforestation and soil use monitoring; Extension and Outreach. We need more resources to implement model farms and education programs. We are looking for best practices and sharable models, but, until, now, we just have entities programs, not GTPS initiatives.

Potential for scale-up: The GTPS is helping US, Argentina and Australia to create their own alliances and so we could create a global coalition to help other countries and initiatives. The US Round Table has already formed a governance board and they working with GTPS to host the 1st meeting in Buenos Aires in Sept, 19th. We are also working with Brazilian Government to sign a letter of intentions to recover 15 million hectares of degraded pasturelands, which will contribute to reduce from 83 up to 104 million tons of CO₂ eq up to 2020.

Who is leading the project and who else is involved is involved: GTPS is leading the Project in Brazil. GTPS has 50 partners, barely 50% are members and 50% are observers.

24 Members: PRODUCERS (more than 50 million heads) = ABPO - Associação Brasileira de Pecuária Orgânica; ACRIMAT - Associação dos Criadores de Mato Grosso; ASSOCON – Associação Nacional dos Confinadores and FAMASUL – Federação da Agricultura do Estado de MS; INDUSTRY = Frigol ; JBS; Minerva; Marfrig and ABIEC; RETAIL & SERVICES = Allflex; Carrefour; Dow Agro Sciences; IBD Certificações; Pão de Açúcar and Wal Mart; FINANCIAL INSTITUTIONS = IFC; Rabobank Brasil and Santander; CIVIL SOCIETY ORGANIZATION AND RESEARCHERS = Aliança da Terra; National Wildlife Federation; The Nature Conservancy; WWF Brasil and Solidaridad and GOVERNMENT = MMA (Brazilian Environmental Ministry)

26 Observers: Andre Bartocci and NELORE – Associação dos Criadores de Nelore do Brasil; Gelita; McDonalds / Arcos Dorados; BRF-Brasil Foods; Brazilian Leather – CICB and Keystone Foods; Agripoint (Beefpoint); AgroBras Consult; Agrossuisse; DNV Business Assurance Brazil and North Trade; Banco da Amazônia; Banco do Brasil; BNDES; Bradesco and Itaú Unibanco; Embrapa; FGV; Funbio; ISA; ICV; Forest Footprint Disclosure; Núcleo de Economia Agrícola (Unicamp); PENSA (USP) and Embaixada Países Baixos (Netherlands Embassy)

Current status and plans: GTPS also have 3 executive chambers (commissions) to debate and propose actionable plans to pave the road to social, economic and environmental sustainability. These commissions started to meet in May, 2011 and will have the first deliveries to be presented during the next assembly in November, 2011.

Technical alternatives: Training of farmers in cattle farming management (managerial training) stemming from the motivation, raised awareness and education of man in the field; Training of farmers in pasture management techniques; Creation and promotion of programs to improve animal genetics; Investment in research (basic and applied); Principles & Criteria - To use existing and accepted principles and criteria (BPA EMBRAPA; Rainforest Alliance – Pecuária; Globalgap; IFC (Performance Standards) and GRI)

Finance: Improving Credit Management for sustainable cattle farming, reducing the demands in processes and making financial management of rural businesses one of the requirements for credit to be approved; Promoting environmental and agrarian upgrading of farms, creating social and environmental incentives such as paying for environmental services; Development of public policy on long-term financing for sustainable cattle farming and the training of financial agents for this differentiated credit to be approved; Partnering with Brazilian Government to use the ABC (Low Carbon Emissions) Project Funding (R\$ 3,125 billion or US\$ 2 billion) to help to recover 15 million hectares of degraded pasturelands and 4 million more with forestry-livestock integration

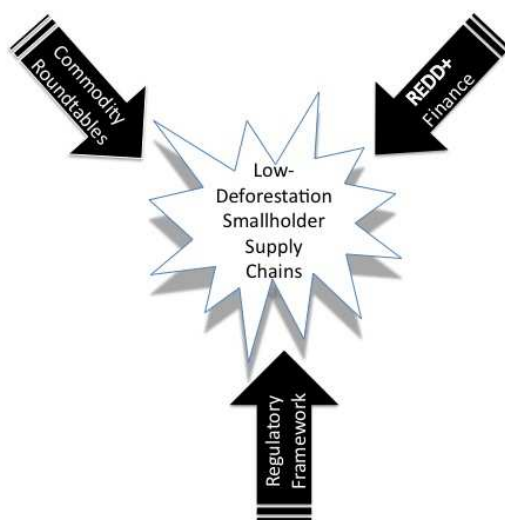
Outreach: Scientific knowledge management –(e.g.: Sustainable Cattle Farming Guide); Reorganization of education and training and the creation of demonstration units; Adoption of at least two model farms (public and private) to be benchmarks in sustainable production; Improvement of communications with the media and better articulation between representative bodies in the sector; Mapping the livestock chain in Brazil (university study) and publish all the data; Create a myth and facts; Support the “Brazilian Beef” campaign; Help other countries to create or leverage their own initiatives, such as US, Argentina and Australia

Funding requirements and sources: The GTPS has contribution from their members, but just to maintain the entity. The projects held by their members are funding by them only. We are looking for funding opportunities to accelerate the dissemination of good practices.

Further information: Contact Eduardo Bastos, Corporate Affairs at GTPS (ebbastos@dow.com) or via our website (www.pecuariasustentavel.org.br)

Building Bridges Between Commodity Roundtables and REDD+: *Umbrella Concept*

The issue: The success of REDD+ is limited by a lack of engagement of farmers. The success of the commodity roundtables is limited by the high costs of farm certification. This proposal is designed to overcome these limitations, **linking a process that has funds but needs farmers (REDD+) with processes that have farmers but need funds (commodity roundtables) to achieve significant GHG emissions reductions.**



Description: The project will: (a) do research to determine the **global potential of commodity roundtables linked with REDD+** to reduce emissions; (b) develop **innovative financial instruments** for linking REDD interim finance and national agricultural/forestry finance with groups of smallholder farmers seeking certification under one of the roundtables; (c) establish **5 to 10 REDD pilots in existing projects** of the Schokland “producer support program” that is helping **80,000 smallholders** around the world to certify their farms; (d) design and implement **2 or 3 large-scale regional programs** (Brazil, Indonesia) that link REDD finance with large groups of soy, palm oil, or sugar growers.

How does it contribute to REDD+: The project will establish the missing link between REDD+ interim finance, emerging regulated forest carbon markets (e.g. California and the GCF), and agricultural commodity roundtables, increasing the likelihood of REDD+ success. It would provide an early signal to the jurisdiction-wide REDD+ programs under design that there are **market access advantages** to REDD+, as it helps the agricultural commodity roundtables to achieve **threshold participation** of farmers, that is, sufficient participation to transform commodity markets, virtually excluding less responsible producers from supply chains.

Constraints: Very little REDD+ finance is finding its way to farmers and forest stakeholders. The obstacles are bureaucratic and institutional, but they are surmountable. Very few incentives are reaching the large number of farmers who want to become sustainable, low deforestation suppliers, selling into the rapidly evolving commodity markets.

Potential for scale-up: This project could provide GHG emission reductions equivalent to 2% of global anthropogenic emissions during the first three years, and more if a **virtuous cycle** is achieved between

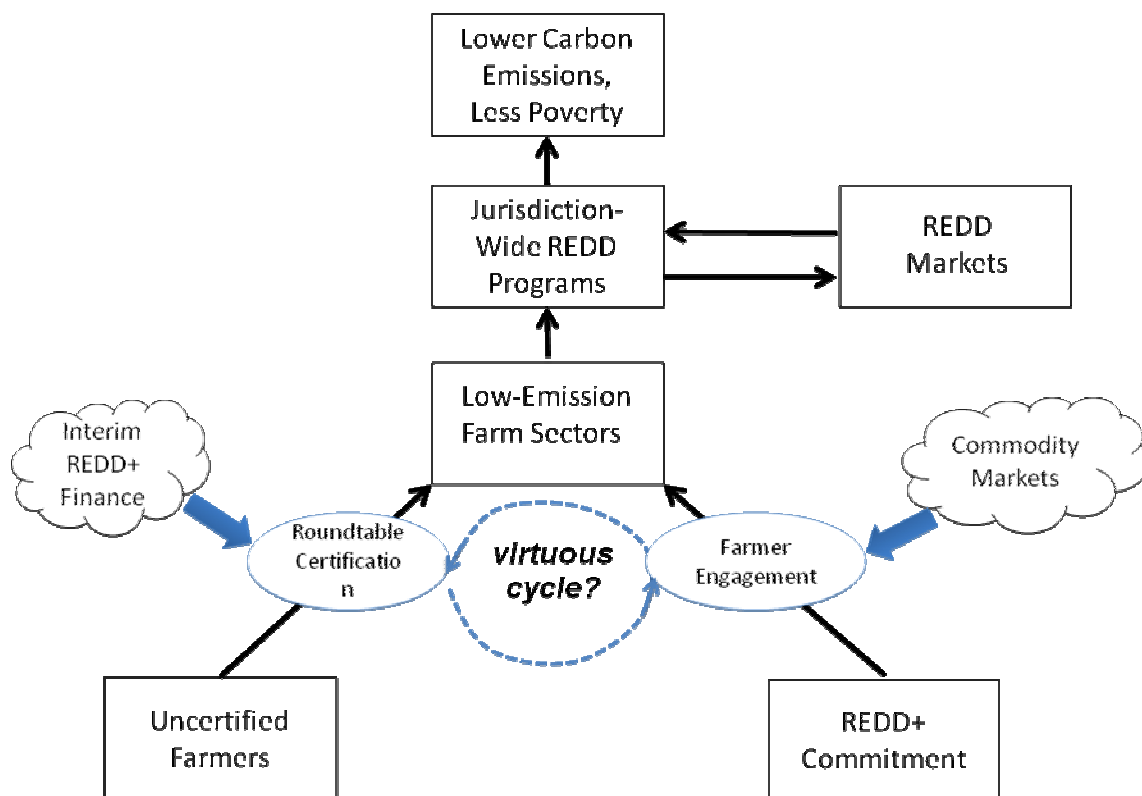
commodity roundtables and jurisdiction-wide REDD program development. This virtuous cycle is illustrated below, New roundtables are under development and a multiple-commodity standard is under discussion.

Who is leading the project and who else is involved: This project led by IPAM, the Amazon Institute of Environmental Research. It is the creation of an alliance of four independent non-governmental organizations (IPAM, Solidaridad, Forest Trends, and WWF-US), three commodity roundtables (RTRS, RSPO, Bonsucro), an industry leader in market transformation (Unilever), and a coalition of fifteen states and provinces (the GCF) that is building a regulated REDD market.

Current status and plans: We are ready to launch this project, and are seeking funding. A written proposal is available upon request.

Funding requirements and sources: The entire project over three years will require USD12 million.

Further information: Dr. Daniel Nepstad, Director, International Program, IPAM (dnepstad@ipam.org.br), Tracy Johns, International Policy Lead, International Program, IPAM (tjohns@ipam.org.br). IPAM has its headquarters in Brasilia, Brazil. The IPAM International Program is based in San Francisco, California, USA.



Briefing for DFID-PRP Planning Workshop on Agriculture and REDD+ Schokland Fund: linking certified farmers to REDD+



The issue: Deforestation and ways to prevent this are to an important extent in the hands of agricultural producers. A few highly competitive crops are expanding rapidly across carbon-rich regions. The demand for sugar cane, soy bean and oil palm derivatives outpaces yield increases on existing agricultural land, with substantial acreage expansion of these crops as result. Bonsucro and the Roundtables for Responsible Soy and Sustainable Palm Oil have come up with standards that provide assurance to buyers on socio-environmental issues related to production, and have united mainstream industry and producers in transparent governance bodies. These standards are tools to provide measurable REDD+ benefits through compliance and verification; the membership bodies provide a conduit to channel REDD+ funding to thousands of farmers that produce these REDD+ benefits in an effective and transparent way.

Description: Solidaridad supports soy, sugar cane and oil palm farmers and workers to comply with the RTRS, Bonsucro and RSPO standards to get better market access, higher incomes and reduce any negative social and environmental impacts. By linking certified commodity production to REDD+, opportunity costs of conserving carbon in natural landscapes are partially compensated, and input reductions incentivised.

How does it contribute to REDD+: The Bonsucro, RTRS and RSPO codes prohibit the expansion into forests and other high-carbon landscapes, but do not provide benefits or incentives to producers other than improved market access through certification. By linking the compliance systems of these roundtables to REDD+ MRV systems, certified farmers get access to resources that remunerate on-farm forest conservation.

Constraints: Adoption of RT practices is constrained by the lack of incentives of farmers to forfeit opportunity costs of not clearing forests. Constraints faced by REDD+ is the high transaction cost and therefore limited participation of (individual) farmers. The Roundtables bring both an aggregating structure (the membership) as well as a monitoring framework (the certification and accreditation system) which allows easy access to thousands of rural producers conserving and restoring forests.

Potential for scale-up: Roundtables are created to address mainstream producers and buyers. The pilot projects under the Schokland Fund target 80,000 smallholders and workers; the scale up programme (see below) about 500,000 farmers and workers. Currently the Roundtable memberships cover 20-80% of global production, trade and/or consumption of three of the world's most voluminous agricultural products: soy, sugar cane and oil palm and potentially reach out to millions of farmers and workers across the globe.

Who is leading the project and who else is involved: Solidaridad manages the Schokland Fund, in which RTRS, RSPO and Bonsucro are partners. WWF, IPAM, rabobank and the Dutch Sustainable Trade Initiative are on the Steering Group. The projects are managed by consortia of Roundtable members, usually involving one or more producer groups, a trader/processor, an end user and one or more local technical assistance providers.

Current status and plans: The Schokland Fund has received over € 5 million of grants since 2009 and has attracted approximately € 10 million in public and private match funding to date. Scaling up the programme is foreseen in the 2012-2015 period. Inclusion of REDD+ funds and other forms of payments for environmental services will be integrated as exemplified by this proposal. 15 multinationals as well as the Dutch Government (DGIS) have expressed interest to participate in this scaling-up.

Funding requirements and sources: The first phase (2009-2012) of the Schokland Fund has a secured budget of € 15 million. For the partially overlapping scale-up phase (2012-2015) an additional € 80 million is foreseen. Of this, € 10 million is earmarked for REDD+ and other PES pilot activities, with the aim that the tools and structures developed by 2015 would enable the Roundtables and their members to directly access REDD+ and other environmental services markets.

Jan Maarten Dros

Coordinator Sustainable Agri-commodities Programme

Solidaridad

Office: +31 30 272 0313

Cell: +31 6 2183 6657

dros@solidaridad.nl

www.solidaridadnetwork.org

Briefing for DFID-PRP Planning Workshop on Agriculture and REDD+ Governors' Climate & Forests Fund

The issue: The Governors' Climate & Forests Task Force ("GCF") is an alliance of fifteen states and provinces from five nations comprising more than 20% of the world's tropical forests (and accounting for some 75% of Brazil's and more than half of Indonesia's tropical forests). Since 2008, the GCF has been building a platform to synchronize efforts across tropical forest jurisdictions to develop



policies and programs that provide realistic pathways to forest-maintaining rural development and that can generate compliance-grade REDD+ assets that could plug into various market and non-market opportunities—from pay-for-performance public finance to carbon markets to the ongoing efforts to de-carbonize agro-food supply chains. To date, GCF governments have imposed logging bans, wall-to-wall land-use zoning, and rural law enforcement programs. Some early mover GCF states and provinces are in the process of adopting comprehensive state-level REDD+ programs and enacting novel legislation that creates incentives for forest protection while penalizing forest destruction as they build economies that are gradually increasing the value of standing forests through forest-dependent industries.

But the ongoing progress achieved by GCF members is fragile, threatened by political turnover in many member states and provinces and by the imperative facing GCF Governors as they decide whether their REDD+ efforts will provide jobs and economic gain sufficient to compensate for the foregone opportunities associated with various deforestation activities. Most, if not all, GCF states and provinces have yet to see significant financial benefits from their REDD+ efforts. And much of the current international finance dedicated to REDD+ efforts (such as the Paris-Oslo, World Bank and United Nations processes) has not directly funded states and provinces. Moreover, although there are strong public finance commitments for REDD+, with funds pledged and allocated, very few REDD+ financing initiatives have reached their operational potential. This comes at a time when state and provincial activities are emerging as the most important examples of innovative, bottom-up efforts to develop regulations and programs for including REDD+ offsets in GHG compliance systems such as California's cap-and-trade program and in exploring other opportunities for linking REDD+ to other GHG mitigation efforts, such as the sustainable supply chain efforts being developed through the commodity roundtables. It is imperative, therefore, to directly support (even at modest levels) the ongoing REDD+ efforts of GCF member states and provinces. Given the current lack of support for state and provincial activities through existing channels of public finance (regardless of whether this reflects policy priorities or operational constraints) and given the fact that only one or two GCF jurisdictions will likely be able to link with a California cap-and-trade system, additional financial support to the GCF membership will validate the hard work and tough political choices these states and provinces have made over the last two years. Such support would not only send a powerful signal to all GCF states and provinces that their efforts to stem deforestation matter and that continued investment in building a common REDD+ platform makes economic sense, it would also serve as a critical step in the larger effort to make the GCF a flexible source of robust, high-quality REDD+ assets that could plug into multiple market and non-market opportunities and to provide a key pathway to robust national REDD+ programs.

Description: The GCF member states and provinces have created an independent Governors' Climate & Forest Fund ("GCF Fund" or "the Fund") that is seeking donor assistance to support collective needs identified by GCF member states and provinces as they build a common platform for REDD+ and to finance individual proof-of-concept proposals at the scale best poised to link subnational REDD+ activities with national climate change programs. The activities targeted for initial support from the GCF Fund have been identified through an ongoing needs assessment process and the development of a comprehensive REDD+ Knowledge Database for the GCF states and provinces (a web-based version of the Database will be available in late 2011). The initial capitalization target for the GCF Fund is \$6 million, which would be allocated among four previously identified collective needs (improved forest carbon stock assessments, reference level development, REDD+

program design, and enhanced stakeholder processes) and four proof-of-concept activities (model benefit-sharing programs, model REDD+ registries, improved MRV, and innovative programs to leverage private investment). Funding for the four collective needs would exploit economies of scale across the different GCF member states and provinces and enhance efforts to develop a common REDD+ platform that could be used by these different jurisdictions. Funding for the proof-of-concept activities will seek to identify and support best practices while facilitating a race-to-the-top dynamic among member states and provinces in their efforts to initiate and implement successful REDD+ programs. An additional goal of this effort is to demonstrate how performance-based incentives for REDD+ can be rapidly deployed at state and provincial levels. Moreover, all activities supported by the GCF Fund will be designed to meet measurable performance indicators to allow continuous improvement going forward while providing a useful learning experience for climate policy given the importance of tracking and measuring the utility of climate finance. All information generated through activities supported by the GCF Fund will be fed back into the GCF Knowledge Database and made publicly available as rapidly as possible.

How does it contribute to REDD+: Support for the GCF Fund, whether for currently identified or future activities, would contribute directly to the development of comprehensive, jurisdiction-wide REDD+ programs in leading tropical forest states and provinces around the world by supporting collective needs, proof-of-concept activities, and other innovative programs to link REDD+ activities with ongoing efforts to establish viable pathways to low emissions rural development.

Constraints: The main constraint in securing contributions to the Fund has been the preoccupation among donors with national-level activities and related concerns about national sensitivities in Brazil and Indonesia. Ongoing discussions about the Fund with representatives of the national governments of Brazil and Indonesia have helped to persuade those governments of the important opportunity embodied in the Fund. Likewise, ongoing discussions with donors about the critical importance of state and provincial activities for the success of REDD+ has helped to secure an initial grant to the Fund and to solicit additional support going forward.

Potential for scale-up: The GCF Fund directly targets collective needs across the 13 GCF tropical forest states and provinces and seeks to promote cross-jurisdictional learning about the key elements of comprehensive REDD+ programs at the jurisdictional scale. Given the importance of states and provinces in forest governance and rural development, targeting support at this jurisdictional scale provides an obvious and critically important component of any effort to build viable, national-level programs for REDD+. The GCF Fund was also deliberately conceived as an innovative, flexible approach to climate finance that could provide valuable learning opportunities and lessons for the deployment of climate finance in other regions and sectors.

Who is leading the project and who else is involved is involved: With support from the Gordon & Betty Moore Foundation and the ClimateWorks Foundation and based on decisions taken by the GCF member states and provinces, the GCF Secretariat has taken the lead during 2011 to establish the GCF Fund as an independent tax-exempt entity in the United States and has been soliciting contributions to the Fund from potential donors. Dr. William Boyd, Project Lead for the GCF Secretariat, is currently serving as the interim director of the Fund until a permanent Executive Director is hired in late 2011 or early 2012. With respect to Fund Governance, the GCF member states and provinces have decided that the GCF Fund should be fully independent of the GCF member states and provinces and the GCF Secretariat, and have expressed a keen interest in developing a governance structure that will allow rapid deployment of funds. The current Fund proposal would vest authority for Fund operations in an independent board ("the Board") composed of experts in REDD+, with knowledge of and experience in deploying resources for forest carbon activities in a rapid, transparent, and accountable manner. Selection and instalment of the Board will take place during late 2011 and early 2012 and will be based upon a pre-agreed process for nominating members from the GCF regions and from donors to the GCF Fund.

Current status and plans: The GCF Fund was created in 2011 as a non-profit, tax-exempt 501(c)(3) entity in the United States and has recently secured its first grant from the United States Department of State for \$1.5 million. Selection of an Executive Director and the Board will take place in late 2011 and early 2012. The Fund would begin operations in early 2012 and will seek to distribute the initial \$6 million by the end of

2013. The intention is that the Fund would continue beyond 2013 as new activities for support are identified and funding is secured. A longer concept note for the GCF Fund is available upon request.

Funding requirements and sources: The GCF Fund has secured an initial grant of \$1.5 million from the United States Department of State, which will allow the Fund to begin operations in early 2012. The GCF Fund is currently seeking an additional \$4.5 million from other donors and foundations to meet its initial capitalization target of \$6 million. Over the longer term, the GCF Fund will be seeking additional financing to support innovative programs for REDD+ and to demonstrate rapid, transparent deployment of climate finance.

Further information: Dr. William Boyd, Project Lead GCF Secretariat & Associate Professor University of Colorado Law School, william.boyd@colorado.edu | Julie Teel Simmonds, Project Manager GCF Secretariat, University of Colorado Law School, julie.teel@colorado.edu | www.gcftaskforce.org

Briefing for DFID-PRP Planning Workshop on Agriculture and REDD+ RSPO Africa Training and Capacity Building Programme

The issue: Oil palm is set to expand rapidly in West and Central Africa over the next few years. Informal estimates suggest that as much as 10–20 million hectares of land are under discussion as potential sites for oil palm plantations. This expansion, if well implemented, has the potential to provide a range of benefits including regional development, improved livelihoods, infrastructure and job opportunities for rural populations. However, there is also a significant risk of negative impacts including deforestation, loss of biodiversity and loss of rights and resources for rural people.



Description: The RSPO Africa Training and Capacity Building Programme (also referred to as the RSPO Africa Roadshow) will provide training and ongoing support through a series of capacity building and awareness raising events in priority countries for oil palm expansion in West and Central Africa with the aim of creating an enabling environment for increased adoption of the RSPO requirements. The priority countries include Liberia, Ghana, Gabon, Cameroon, Democratic Republic of Congo, Congo and Nigeria and will be extended to Cote d'Ivoire as it becomes more stable.

The Roundtable on Sustainable Palm Oil (RSPO) is an independent multi-stakeholder initiative which has developed a set of Principles and Criteria together with associated guidance which define good practice for oil palm production including minimising impacts on forests, biodiversity and local peoples' rights. All oil palm plantation companies which are members of RSPO are committed to following these requirements.

Many of the companies involved in oil palm plantation expansion in West and Central Africa are RSPO members and so bound by this commitment. Many of the governments in countries where expansion may occur have also expressed support for RSPO. If oil palm expansion in the region complies with RSPO requirements the risk of negative impacts on forests, biodiversity and people will be greatly reduced. However, in practice, neither national governments in the region nor other actors such as civil society, local consultants or even company staff themselves really understand what RSPO requires, nor how to implement these requirements in practice. This greatly reduces the likelihood that the requirements will be met and so increases the risk of negative impacts.

The RSPO Africa Roadshow will be delivered by an alliance of partners who combine expertise in the implementation of RSPO requirements with a presence on the ground in the different countries. Training material and other information and toolkit will be developed and agreed by all the alliance partners. Activities in each country will be led by the partner or partners who are most active in that country. Activities will include:

- Training and information workshops ranging from half-day high level sessions to week-long intensive training courses. Training will be targeted at a range of audiences including policy makers, company management, field staff, NGOs, local consultants, communities and smallholders.
- Internal capacity building for staff of the partner organisations in each country to build local expertise and knowledge.
- Ongoing support, via the partner organisations, for development of local understanding and implementation of RSPO requirements.
- Support for development of key areas such as High Conservation Value (HCV) planning, development of free, prior and informed consent (FPIC) methodologies and support for smallholders.

The RSPO Africa Roadshow will work closely with emerging RSPO national initiatives where they exist and support new national initiatives in countries which do not yet have one.

How does it contribute to REDD+: The RSPO Africa Capacity Building Programme aims to contribute directly to REDD+ by reducing conversion of forests to oil palm plantations in West and Central Africa. This will be achieved if the programme is successful in building understanding of, and support for, RSPO requirements, particularly for new plantings, and these are then implemented in practice as oil palm expands in the region. An important aspect of the programme is that by focusing on implementation of RSPO requirements it will deliver reduced deforestation in conjunction with economic development, improved rural livelihoods and a variety of economic and social co-benefits.

Constraints: In many of the countries there is a lack of trained and experienced people who can provide initial training and, more importantly, ongoing capacity building and support over the next few years as decisions on new planting areas are made and work on plantation development begins. To overcome this challenge, the RSPO Africa Capacity Building Programme is being developed by an alliance of partners. This has two advantages:

- Firstly, for each country whichever partner or partners are already present can take a lead in developing and implementing the programme, providing a much wider coverage than a single organisation can achieve.
- Secondly, by working through existing organisations, the programme will not only provide training for third parties, but also strengthen the capacity within the partner organisations so that they can provide the ongoing local support needed.

Potential for scale-up: The RSPO Africa Roadshow will be implemented through a wide partnership within which each partner can build its own internal capacity. This will then allow them to scale up their contribution to the availability of training and support in the region resulting in a growing base of expertise.

The programme will operate in both English and French from the beginning, ensuring that it can be expanded easily throughout West and Central Africa. There is also considerable scope for expansion to other countries and regions including Central and South America where there is also considerable expansion of oil palm.

Who is leading the project and who else is involved is involved: The RSPO Africa Training and Capacity Building Programme is being co-ordinated by the Proforest Initiative, a non-profit organisation specialising in training and capacity building in the natural resource sector. Current partners include RSPO, Conservation International, Solidaridad, WWF, GIZ, IFC and the HCV Resource Network. Other partners will be added as the programme develops. Several private sector companies – both oil palm producers and market participants - have pledged support to the programme.

Current status and plans: The project partners have already agreed on how the programme will be run and it is now ready to implement pending funding. Fund-raising for the first phase, which will focus on three countries (Liberia, Ghana, Gabon), is underway.

Given the speed at which oil palm expansion is occurring, there is a strong need to implement the programme as soon as possible. Therefore, pending funding, the first phase will begin in October or November 2011 and be implemented over the next 6-12 months with extension to further countries in early 2012. The programme will then continue throughout 2012 and 2013 after which a review of progress and needs will be made.

Funding requirements and sources: Fund-raising for the first phase in three countries is underway with some funding already committed (from several private sector companies including Unilever, Olam and Sime Darby and the Netherlands Government) and a decision from an application to BACP awaited.

Further funding is being sought to build on the first phase by continuing work in the three countries as well as rapidly extending the programme to other countries. Some funding will be sought from the private sector, but this will be limited to ensure that the programme is not seen to be influenced by commercial interests. The rest will be sought from development agencies, multilaterals, governments and foundations.

Further information: Contact Isaac Abban-Mensah at Proforest on isaac@proforest.net

GREEN COMMODITIES FUND

Avoided Deforestation Partners



The issue:

Engaging the private sector in addressing the most significant drivers of deforestation is an essential – and achievable – strategy that will encourage both stable commodity markets and the protection of critical standing forests. If designed well, partnerships between governments and the private sector can promote the transition to “green commodities,” a strategy that will serve to protect the world’s forests, water, people and climate. These public-private partnerships (PPPs) can make effective use of limited public funding by focusing on removing barriers to then unleash private sector investment in targeted areas and thereby strengthen food security, improve livelihoods and provide more sustainable and predictable supplies of commodities while helping developing countries build resilience against a changing climate and mitigate greenhouse gas emissions.

Description:

Public climate finance can be mobilized to build PPPs that not only catalyze transitions to more productive and resilient agriculture, but also limit GHG emissions (including reducing emissions from deforestation and forest degradation from agricultural expansion), as well as promote increased soil carbon sequestration. Examples of ways in which such finance could be used to support this “climate-smart” agriculture include:

- **Lowering investment costs or providing access to credit to promote “green commodities”:** Governments can use climate finance to provide concessional credit or loan guarantees that promote the acquisition of new technologies or provide farmers the capital they can rarely access to make investments needed to adopt improved, sustainable agricultural practices.
- **Partnering with the private sector to reduce risk – through insurance schemes, or other types of risk-sharing facilities – to encourage the uptake of improved agricultural practices:** Risks that prevent investment in improved agricultural practices can relate to political concerns, fluctuations in input costs or commodity prices, supply chain or infrastructure difficulties, or weather-related events. Many farmers have little capacity to mitigate these risks and are sometimes skeptical of new practices. Providing insurance or other guarantees can help farmers manage these risks and transition to more “climate-smart” practices.
- **Providing capacity building or upfront project development support:** Governments providing climate finance can work with the private sector to identify investments and requirements that will enable transitions to “climate-smart” agriculture. This includes funding technical knowledge, initial inputs, farmer extension programs, or other capital investments needed to help transition farmers away from unsustainable practices.
- **Sharing costs of creating and supporting financial mechanisms, such as Payments for Ecosystem Service (PES) schemes, carbon markets, or other funds, linked to improved agricultural practices and carbon benefits:** Such programs could promote improved practices in agroforestry, conservation tillage, or

improved residue management that increase both productivity and soil carbon sequestration. They could also be linked to funds that support agricultural expansion on degraded lands, that avoid deforestation and forest degradation (and therefore reduce emissions), or help connect producers to forest carbon markets. Public finance can also assist with creating baselines, data collection, or the measurement, reporting, and verification (MRV) of the climate benefits of such programs.

- **Supporting voluntary sustainable supply chain efforts, including certification and transparency:** Sustainable, secure and efficient supply chains can benefit both smallholder farmers and multinational corporations, the largest 200 of which control about 50% of the trade of 15 key commodities. Several of these large multinationals are engaged in sustainability programs, in multi-stakeholder groups such as The Consumer Goods Forum and in commodity roundtables to both establish leadership positions and manage potential risks to future supply. These initiatives could be supported and strengthened by the public sector's participation; for example, to consider complementary policies and incentives, convene key players, provide data and information, or mitigate the costs of certification, chain of custody tracking and verification.

Who is leading the project and who else is involved:

This initiative is being organized by Avoided Deforestation Partners on behalf of a broad spectrum of for- and non-profit groups that endorse this message.

Current status and plans:

Creating PPPs will take effort on the part of the public and private sectors to identify areas of shared objectives and interests. As a start, governments and companies can:

- **Identify priority areas and opportunities.** An assessment of specific commodities and supply chains, as well as activities in which PPPs could be most effective, should be identified. Tailored solutions will likely be needed, as the challenges and solutions are often locally specific.
- **Work together to build and finance models in support of green commodities.** There is currently a lack of tested models that demonstrate, particularly at scale, the viability of programs that benefit farmers, buyers and the environment while providing climate change benefits. Public-private partnerships can design and implement investment models that, over time, are scalable and self-sustaining. Governments can also help to secure political support and provide initial funding and/or share the risks of testing such models.

Funding requirements and sources:

At COP17 in Durban, leaders will be engaged in discussions and pledges to advance the idea of a multi-billion dollar "Green Climate Fund" to catalyze public-private partnerships and the use of leveraged investments to help move the world to a low carbon way of life. We support this Green Climate Fund initiative and believe it would be an effective vehicle for launching a wide range of strategic investments, including the advancement of green commodities.

The fund would support and complement work already being done by organizations, institutions, roundtables, governments, farming interests, community groups, etc., that are dedicated to employing sustainable agricultural practices to protect and improve our forests, ecosystems and societies. In many if not most instances, the purpose of this fund would be to help provide much-needed immediate funding and scale up in-progress and future good works.

For more information : Jeff Horowitz [jeff@adpartners.org]

Briefing for DFID-PRP Planning Workshop on Agriculture and REDD+

Carbon and commodities

CANNOT ATTEND – with apologies from Yvonne Hofman and Jason Clay

The issue: By 2050, the global population will exceed 9 billion, roughly 2 billion more people than today. Globally, food production is currently keeping ahead of global demand, but the gap is narrowing and the cost to nature is high. We must freeze the footprint of food production. In order to do that, we must find ways to produce twice as much food on the same amount of land. Moreover, we will need to accomplish this within the uncertain context of increased greenhouse gases (GHGs) and climate change. These challenges can only be addressed if more sustainable agricultural practices are adopted. Globally various initiatives have been set up to promote sustainable agriculture, however most sustainable measures that are taken by farms are currently not rewarded in the marketplace. Carbon markets offer one opportunity to do so. Despite the potential for GHG reduction and sequestration in agriculture, few carbon projects have been carried out to date. Primary reasons for this lag include lack of awareness by farmers of current opportunities for GHG emission reductions and the fact that methodologies for many potential carbon reduction options in agriculture are not yet available. One way farmers could be convinced to sequester more carbon or avoid carbon emissions would be to create market systems where farmers are paid for carbon as well as commodities.

Description: WWF and IDH propose to develop and test a voluntary carbon program where retailers and brands will be able to buy credible carbon from the same producers that currently supply them with commodities. By purchasing both commodities and carbon from within existing supply chains, retailers and brands will be able to address climate change issues more broadly as well as their own carbon footprints by reducing the carbon embedded in their products as well as transaction costs throughout the supply chain. This will increase the sustainability of raw material production and supplies while reinforcing current supply chain relationships.

The goal of the proposed work is to explore the bundled value concept as a value chain management tool with a revenue-based model that rewards farmers for both carbon sequestration as well as avoided carbon. The work will identify, define and focus on carbon that is additional and permanent. Phase II pilots will include commodities with a high carbon potential such as beef, cacao, coffee, dairy, palm oil, pulp wood, soy and sugarcane.

How does it contribute to REDD+: Since agriculture and ranching are the largest single sources of carbon emissions globally and since deforestation is the largest single source of agricultural emissions, any successful strategy to address global GHG emissions will need to slow down deforestation from agriculture. In Phase 1 of the carbon and commodities work we found that the largest single source of credible carbon for each commodity where it was relevant was the avoidance of deforestation. Therefore at least one of the pilot project assessments in Phase 2 will need to focus on avoided deforestation. This will offer an opportunity to involve private sector parties in the pre-REDD+ arena and allow them to take a proactive role to field test how different types of carbon and revenue models in their supply chain could most efficiently bundle carbon and commodities and reward those producers who make the most significant improvements.

Constraints: The main constraints are:

- The availability of agriculture carbon methodologies.
- Private sector interest.
- The cost of measuring carbon.
- Aggregating the carbon from a number of producers.

Potential for scale-up: In Phase 1 of the project GHG assessments have been carried out for 11 commodities. An important criterion for the selection of pilots for Phase 2 will be the potential for upscaling of a certain GHG reduction or sequestration measure.

Who is leading the project and who else is involved is involved:

WWF-US is leading the project, supported by the Sustainable Trade Initiative (IDH). Phase 1 finance was provided by the Dutch government, WWF, IDH, Unilever, Nutreco and Rabobank.

Current status and plans: Phase 1 to be finalized end 2011, phase 2 planned to start Q1 2012.

Funding requirements and sources:

WWF-US and IDH are currently seeking funders and participants for Phase 2.

Further information: Add contact details

Jason Clay, Ph.D.

SVP, Market Transformation, WWF

1250 24th Street, NW

Washington DC 20037, USA

T: +1 202 495 4691

M: +1 202 361 2940

Yvonne Hofman

Senior Programme Manager, IDH

Nieuwekade 9 3511 RV Utrecht

T: +31(0)30 2305 684

M: + 31 (0)6 46390186

P.O Box 19219 3501 DE Utrecht, NL

www.dutchsustainabletrade.com