



SUSTAINING AFRICAN LANDSCAPES AND LIVELIHOODS

A COMESA CLIMATE INITIATIVE

Follow-up Notes from the Carbon Finance Workshop, 23-24 June 2008

1. Global Policy Initiative

The workshop agreed that agriculture and agro-forestry are key to the economies of most countries in the COMESA region and to the livelihoods of hundreds of millions of its inhabitants. What is true of COMESA countries is also largely true of all of Africa. It was agreed that the natural environment, its underlying processes and services, are equally key to the productivity of the land and the livelihoods of those who depend on it. We recognized the important role that bio-carbon plays in agricultural and land management systems, as well as in the global climate system.

The question is whether we can bring these inter-related factors together in a way that will also create a situation where carbon finance can play a catalytic role in moving our ambitions for the region forward. The answer from the workshop was a resounding "yes" - and we identified in the basic components of a possible "deal" to ensure that this time Africa's interests are not left out of the new carbon and climate frameworks.

- This will require a totally new, Africa-lead, approach to the post-Kyoto treaty negotiations, including a reformed CDM, to the European Emissions Trading Scheme and to the new United States Administration and Congress. An approach that would eliminate the limitations on non Annex 1 offsets, expand the eligibility beyond afforestation/reforestation to include the widest range of bio-carbon (as already eligible for Annex 1 countries) and liberalize many of the definitional constraints which effectively rule the greater part of Africa out of global carbon markets (and particularly Eastern and Southern Africa).
- But any deal will require a quid pro quo. The most obvious stumbling block has been the refusal of African countries to accept any formal responsibility or undertaking for carbon emissions. Understandable, perhaps, but counter-productive. The actual returns to African economies and agricultural lands and producers from the carbon markets that would be associated with an opening of the climate system to bio-carbon, coupled with the returns directly attributable to better soil fertility and agricultural/agroforestry output, would exceed any costs incurred from a long-term emissions reduction undertaking - the greater part of which could be offset by carbon capture at any rate. This quid pro quo is your best (perhaps only) card to play, and we believe it would be irresistible to those that count. It worked for the Rainforest Coalition, and it can work for you.
- With a deal constructed as above, it should then be possible to bring the various donor nations together in a significant and coordinated way to address the myriad institutional and policy constraints that will otherwise prevent the rapid evolution of private sector investment. The constraints are well known, including land tenure insecurity, very high transaction costs, institutional and governance issues, etc. Although many development agencies have made careers out of these issues, it is possible that the momentum that



would come out of a deal constructed as suggested above would be sufficient to move the donors into a significant, coordinated and carefully focused initiative to address these issues and to ensure that all African countries become “market-ready” for the new carbon regimes.

- In order to demonstrate the benefits of institutional change and private sector investment several projects should be identified at an early stage, then financed and implemented while the negotiations of the new carbon frameworks are underway. Taken on a country basis, we should be able to make progress over the next six months to identify feasible projects and design and fund a carbon finance facility.

Next Steps – Global Policy Initiative

We have already formed an ad hoc/ interim working group. Its first task will be to draft a statement of purpose and rationale for an African group of nations to assemble as a coalition to lead on the issue of AFOLU both in the post-Kyoto negotiations and in the European Union and the United States. It will then need to identify a schedule of key dates and occasions on which this coalition would need to be heard. It would include specific policy goals to be pursued in each context but all centered on the main theme of terrestrial carbon credits particularly from agriculture and agro-forestry.

We will be happy to include any of the participants at the workshop, or other interested parties, in a larger community of interest so as to be able to draw on your insights and expertise as we move along. Please let us know of your interest and availability to participate in this way.



2. National Enabling Environments

It is obvious that countries will need to take the necessary institutional and policy steps to realize the benefits of the Global Policy Initiative and to maximize the returns to the proposed Carbon Finance Facility. A relatively simple checklist of requirements might include:

- ratify the Kyoto Protocol,
- develop sustainable development policies, plans and control systems,
- develop and integrate national and regional policies,
- identify priorities and opportunities for projects,
- promote investment into land use CDM projects,
- build capacity and infrastructure for project implementation,
- develop in-country understanding of carbon flows and data availability in the land-use sector, and
- define the legal landscape for carbon ownership.

It is also probably wise for national governments to build institutional guidelines for initiatives such as the Comprehensive Africa Agricultural Development Programme (CAADP) and the National Adaptation Programmes of Action (NAPAs) and to coordinate the agencies responsible for setting sustainability policies, environmental and investment regulations, and the organizations involved in the development of terrestrial carbon projects such as the Designated National Authorities (DNAs) and the UNFCCC Focal Points. CDM guidelines for the DNAs are a particularly good institutional and policy framework for terrestrial carbon activities.

COMESA has an ongoing activity with CIFOR, ICRAF and WWF to identify institutional and policy innovations and reforms in five target countries that together would create a model enabling environment for sustainable agriculture and land management, agroforestry, AFOLU, and livelihoods improvements. The activity addresses the following two questions:

- What are the necessary frameworks and conditions at international, national, regional and local scales to encourage sustainable agriculture, agroforestry and land management, adaptation to climate change, and carbon sequestration?
- What actions can be taken by different players in society—government, multilateral institutions, donor agencies, businesses, NGOs, academic and science institutions—to help establish these frameworks and conditions?



Specific objectives include:

- Identification of the major policy changes needed to promote sustainable agriculture and land management – with particular emphasis on agroforestry, adaptation to climate change, and carbon sequestration;
- Identification of innovations in the marketplace likely to promote sustainable agriculture and land management – with particular emphasis on agroforestry, adaptation to climate change, and carbon sequestration;
- Identification of opportunities to mature key economic, environmental and agricultural institutions so as to facilitate the promotion of sustainable agriculture and land management – with particular emphasis on agroforestry, adaptation to climate change and carbon sequestration.

Next Steps – National Enabling Environments

Implementation of the activity in five model countries.



3. Carbon Finance Facility

Agriculture, land use and poverty reduction are at the very center of Africa's development challenge. Bio-carbon is intimately associated with that challenge and is now a valued commodity given the emergence of the regulated and voluntary global carbon markets. This development suggests a new source of finance to address ecosystem integrity, agricultural productivity, food security, climate change and poverty reduction in Eastern and Southern Africa.

There are, however, real limitations to the opportunity that bio-carbon and the global carbon market present:

- Regulated markets are limited to A/R and are not open to the full potential of the continent's bio-carbon;
- Current financial vehicles (in both regulated and voluntary markets) are largely aligned with buyers' interests, rather than the interests of sellers of carbon credits (e.g., communities);
- Neither financial vehicles nor donor programs address the capacity and cost issues associated with project identification and development of carbon projects;
- Current financial vehicles give inadequate attention to African stewardship issues (e.g., how to ensure balance between carbon and other ecosystem benefits, etc) – focusing almost exclusively on investment issues; and
- The current financial system does not take into account the uneven playing field as between African communities and international financial institutions (e.g., in negotiating a fair price for carbon credits).

COMESA presented four models addressing carbon finance and project identification and development – models representing the current system and a projected African-based system: presented as a Traditional Carbon Fund (aligned with buyers), a Model Carbon Fund (aligned with sellers), a Traditional Brokerage Facility, and a Model Brokerage Facility. COMESA expressed interest in further considering variations off of the Model Brokerage Facility. The options are outlined in the presentation made by George Wamakoya at the Workshop and previously distributed to all participants

Next Steps – Carbon Finance Facility

COMESA is preparing a Framework Paper outlining its considered approach to carbon finance and will share that paper with anyone interested. Comments will be welcomed.

COMESA is also looking for expressions of interest from participants at the Workshop, or other interested parties, willing to work with it on fashioning the structure, finance and management of what might come to be a COMESA Carbon Finance Facility.



4. Model Projects

There is an urgency within international, regional and national conservation and development communities to identify and develop terrestrial carbon projects in Africa that actively promote sustainable agricultural production and land management systems – that remove pressures associated with land degradation, land use change, and deforestation – that support both climate adaptation and mitigation – and that secure rural livelihoods and reduce poverty. To move forward against that urgency, COMESA is already engaged on a program of early-action and scale-up in this regard under the rubric of the Comprehensive Africa Agricultural Development Programme (CAADP).

The program is based on the existing and substantial number of agriculture, forest and land use and projects which can be made “carbon-accountable” and which exist in considerable number in the portfolios of government, international development institutions, bilateral donors, related philanthropic programs, international NGOs and community and tribal associations. Design effort has already been made to develop these projects. In addition to the obvious cost and time savings, these projects are platforms for rapid scaling-up.

It was agreed at the workshop that an even nearer-term project identification and development program is needed to buttress the initiatives associated with Global Policy Initiative and proposed Carbon Finance Facility. COMESA would like to get four to five “carbon-ready” projects off the ground and to finance over the next six months. That suggests projects that already have a fairly complete project design, some handle on baseline information, environmental and socio-economic impact assessments and stakeholder involvement. General description of the Contact information on participants in the proposed A/R project activity

Next Steps – Model Projects

Participants at the workshop, or other interested parties, are requested to submit project simple project proposals against the general criteria described above. COMESA will review, screen and qualify the projects in an effort to identify four or five likely candidates. It will then

- Assign the necessary consultant support to develop, design and articulate a plan to make the identified projects “carbon accountable”; and
- Then refer such projects to existing carbon finance institutions (such as those represented at the workshop) for the more arduous task of conforming the project designs to the requirements of the CDM and or Voluntary Markets.