

# CARE makes carbon finance work for poor and marginalised people



CARE & climate change  
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## The challenge

The Kyoto Protocol, which entered into force in February 2005, introduced a global framework for reducing atmospheric greenhouse gases. In so doing, it triggered the birth of carbon markets and other forms of carbon finance. Very substantial resources have subsequently been mobilized for investment in a range of land use and energy activities.

CARE recognizes that responsibility for climate change mitigation lies first and foremost with those rich, industrialized countries that have contributed most to causing the climate crisis. That said, Developing Countries can also play an important role so long as they are fairly rewarded for their efforts and so long as this does not reduce the commitment of the rich countries to deep cuts in emissions. However, it is crucial that mitigation activities in Developing Countries be designed in such a way that they promote rather than undermine social justice and equity.

## CARE's response

CARE is working to ensure that carbon financed land use and energy activities support poor and marginalized people to reduce poverty, secure their rights, and adapt to climate change, while ensuring environmental integrity.

Potential social benefits from carbon finance include new revenue streams flowing to poor communities, and benefits from the more efficient/sustainable land and energy use practices it supports. These "collateral benefits" are particularly significant in the case of improved land use activities where they will, in many cases, far exceed benefits from revenue sharing.

## A pro-poor approach

As with CARE's programming in other fields of natural resource management and payments for ecosystem services (PES), we adopt an explicitly "pro-poor" approach that ensures:

- Poverty reduction benefits reach poorer households, women and other marginalised groups within poor communities;
- No negative social impacts, or where such impacts are inevitable, effective mitigation measures are put in place to achieve a net "do no harm" outcome;
- Equitable sharing of benefits between local, national and international levels; and
- Human rights are respected, protected and secured.

CARE's programming addresses procedural rights (e.g. access to information, participation and legal redress) alongside property rights and the universal social, economic, civil and political rights that are defined in national and international legal frameworks. With this approach we address key issues of governance and power that are fundamental to sustainable environmental management as well as social justice and equity.

In our work to make carbon finance work for poor people CARE focuses on three main themes:

- Reduced emissions from deforestation and forest degradation (REDD);
- Agriculture, forestry and other land use (AFOLU) in agricultural landscapes; and
- Sustainable energy at the household level.

In all cases we use the existing international standards that aim to enhance social and environmental benefits and avoid harm (CCBA for REDD and AFOLU, Gold Standard for energy). In addition we have internal standards that reinforce our focus on the interests and rights of women.

## Reduced emissions from deforestation and forest degradation

REDD has the potential to deliver very significant benefits to forest dependent communities – not only from the revenues, but also from changes in forest property rights and governance that are a precondition for effective and sustainable REDD. On the other hand, there are serious risks of negative social impacts particularly for Indigenous Peoples, women and other marginalized groups. Furthermore, there are very real challenges in developing benefit-sharing mechanisms that are equitable within local communities, and between local, national and global levels.

Although REDD is new, most of the challenges in promoting a pro-poor approach to REDD are not. Issues raised through REDD have been central to the development of community-based approaches to forest management over the last twenty years. CARE has been at the forefront in developing such approaches, and our work on REDD builds on this experience.

CARE's strategy for REDD has three main elements:

- **Development of standards** that define, and build support for, a higher level of social and environmental performance from REDD. Designed to be applied to national REDD programs, these standards aim to enhance social benefits as well as establish social safeguards to avoid the violation of rights and other social harms. These standards are being developed through an inclusive process engaging governments, civil society organizations, Indigenous Peoples organizations, international policy and research institutions and the private sector. As a facilitator of this process, CARE is working in partnership with Climate, Community & Biodiversity Alliance (CCBA). See: <http://www.climate-standards.org/REDD+/>
- **Demonstration projects** that develop and promote a pro-poor approach to REDD while capturing and disseminating this experience to influence emerging policy and practice. Complementing and strengthening our work on standards, and reflecting CARE's global commitment to women's empowerment, these projects emphasize the gender dimension of REDD. Governance and risk management are core themes with a particular focus on the aggregation and benefit-sharing mechanism linking communities to sources of finance.
- **Assessment of social impacts** of REDD using relatively simple low-cost methodologies and tools. This builds on work with International Institute of Environmental Development (IIED) and World Conservation Monitoring Centre (WCMC) on the social impacts of protected areas, including a comprehensive review of relevant social impact assessment frameworks, methodologies and tools. With these methodologies and tools adapted to the context of REDD, CARE will support





action research that informs policy development processes at both national and international levels in partnership with southern civil society partners.

### Agriculture, forestry and other land use within agricultural landscapes

There is rapidly growing interest in the potential of carbon finance as a means to promote large scale adoption of more sustainable and productive farming and land management practices such as agroforestry and conservation agriculture. Furthermore there is a real potential in some situations for carbon financed land use projects to improve the resilience of rural communities to the impacts of climate change, i.e. support community-based adaptation.

Beyond the challenges of promoting sustainable land management at a particular site are the challenges of scale. We believe this is where the real opportunity for carbon finance lies. As with REDD, demonstration projects that pioneer carbon financing for agroforestry/conservation agriculture, and particularly “pro-poor” projects, will require public sector finance during start-up, but there is a very real possibility that scale up beyond demonstration projects can be achieved purely through carbon finance. Given the rapid growth in carbon finance, this presents the possibility of a large-scale movement to sustainable land management beyond anything that could be achieved with currently available public sector finance.

This is the opportunity that CARE’s AFOLU programming aims to explore through a portfolio of projects that builds on our existing agroforestry and conservation agriculture programming. In addition to the core elements of an AFOLU project (carbon monitoring and accounting, certification, etc.) these projects address two issues that are critical to realising the opportunity described above:

- The *benefit transfer/sharing arrangement* linking farmers with carbon buyers and other sources of carbon finance; and
- The *business plan/model* for taking the project to scale, and design of appropriate management/governance structures and arrangements.

As with CARE’s REDD programming, we place a strong emphasis on learning to ensure that project experience and evidence of social impacts (both positive and negative) are captured and used to influence policy and practice beyond individual projects.

### Sustainable energy at household level

CARE’s household energy program focuses on improved cook stoves, the benefits of which include:

- Improved health by reducing indoor pollution, especially for women and girls who spend more time cooking than men;
- Savings in time for women and girls who are responsible for collecting firewood, and reduced risk of sexual harassment that they frequently face while collecting firewood; and
- Reduced expenditure on firewood and alternative sources of fuel, which will free up resources for other livelihood priorities.

In line with the principles of CARE’s pro-poor approach to carbon finance, our household energy programming also addresses the issue of equitable sharing of the benefits. Evidence from a number of projects suggest that the carbon companies who act as project proponents for small-scale energy projects frequently gain a disproportionate share of the benefits. Thus, as with our REDD and AFOLU projects, each energy project includes an analysis of the carbon value chain that will inform strategies to promote “fair trade in carbon.”

## Environmental integrity

It is of fundamental importance that emissions reductions and/or sequestration achievements of national programs and site-based projects are genuine and conform to the highest standards of environmental integrity (i.e. they should be additional, permanent and avoid leakage), as well as the highest social standards.

Carbon finance that is funds-based and, thus, not linked to offsets is clearly the best option. However, there are grave doubts as to whether this can deliver the necessary volume of funding. Meanwhile, the United States is forging ahead at both State and Federal levels to establish a cap-and-trade system that includes forest carbon offsets.

Proponents of offset mechanisms argue that the flexibility they allow (i.e. generating emissions reductions where it is cheapest to do so) ultimately enables greater emissions reductions at global level. However, as is already clear with existing CDM projects, much of the additionality of land use and energy projects could turn out to be an illusion (i.e. leading to a net increase in emissions at global level). This risk is particularly high with REDD where baselines are harder to establish and more prone to political influence, and given the poor record of forest governance in many countries.

Taking all these factors into account, CARE is exploring the potential for offset-based financing to work for poor people, but with certain conditions. Projects/programmes selling the offsets must demonstrate the highest standards of environmental integrity, and buyers of the offsets must be making deep cuts in their own emissions.



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